

ODTSHOORN

MUNICIPALITY



UNAUDITED ANNUAL FINANCIAL STATEMENTS

30 JUNE 2017



OUTDSHOORN

Munisipaliteit • Umasipala • Municipality

"A town to work, learn, play and prosper"



UNAUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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GENERAL INFORMATION

NATURE OF BUSINESS

Oudtshoorn Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality WC045 (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

CATEGORY OF MUNICIPALITY

Grade 3

JURISDICTION

The Oudtshoorn Municipality includes the following areas:
Oudtshoorn, Dysseisdorp, De Rust, Volmoed, De Hoop

MEMBERS OF THE MAYORAL COMMITTEE

Executive Mayor	CF Sylvester
Deputy Executive Mayor	N Mwatli
Speaker	J le Roux Krowitz
Executive Mayoral Committee	DJ Fourie
Executive Mayoral Committee	E Fortuin
Executive Mayoral Committee	GJ Kersop
Executive Mayoral Committee	H Ruiters
Executive Mayoral Committee	P Luiters

WARD COUNCILLORS

Councillor	LPO Wagenaar
Councillor	VM Donson
Councillor	N Magopeni
Councillor	RR Wildschut
Councillor	HG Juthe
Councillor	JE Floors
Councillor	M Titus
Councillor	JH Tyatya
Councillor	JC Lambaatjeen
Councillor	LS Stone
Councillor	H Botha
Councillor	K Windvogel
Councillor	H Human
Councillor	CL Cobus
Councillor	N Soman
Councillor	DR Maarmann
Councillor	BV Owen

MUNICIPAL MANAGER

AA Pauise

CHIEF FINANCIAL OFFICER

FM Lötter

POSTAL ADDRESS

PO Box 255
OUDTSHOORN
6625

BUSINESS ADDRESS

69 Voortrekker Road
OUDTSHOORN
6625

AUDITORS

Office of the Auditor General
Private Bag X1
CHEMPET
7442

PRINCIPLE BANKERS

ABSA BANK

RELEVANT LEGISLATION

- Municipal Finance Management Act (Act no 56 of 2003)
- Division of Revenue Act
- The Income Tax Act
- Value Added Tax Act
- Municipal Structures Act (Act no 117 of 1998)
- Municipal Systems Act (Act no 32 of 2000)
- Municipal Planning and Performance Management Regulations
- Water Services Act (Act no 108 of 1997)
- Housing Act (Act no 107 of 1997)
- Municipal Property Rates Act (Act no 6 of 2004)
- Electricity Act (Act no 41 of 1987)
- Skills Development Levies Act (Act no 9 of 1999)
- Employment Equity Act (Act no 55 of 1998)
- Unemployment Insurance Act (Act no 30 of 1996)
- Basic Conditions of Employment Act (Act no 75 of 1997)
- Local Government: Municipal Finance Management Act: Supply Chain Management Regulations, 2005
- Collective Agreements
- Infrastructure Grants
- SALBC Leave Regulations



ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

MEMBERS OF THE OUTDSHOORN MUNICIPALITY

Ward		Councillor
1	Oudtshoorn, Welgeluk, SANDF, Zeelandsnek	Le Roux Krowitz, J Cllr
2	Oudtshoorn, Lategansvlei, Volmoed, Welbedacht	Kersop, GJ Cllr
3	Oudtshoorn, Bridgton	Fourie, DJ Cllr
4	Bridgton, Bongoletu	Fortuin, E Cllr
5	Bridgton	Ruiters, H Cllr
6	Toekomsrus, Bridgton, Rosevalley	Lambaatjeen, JC Cllr
7	Oudtshoorn, Bridgton	Wagenaar, LPO Cllr
8	Toekomsrus, Bongoletu	Stone, L Cllr
9	Dysselsdorp	Botha, H Cllr
10	Dysselsdorp	Soman, N Cllr
11	De Rust, Grootkraal, Rodewal, Grootkruis, Nelsrivier, Vlakteplaas	Wildschut, RR Cllr
12	Oudtshoorn, Hottomskloof, Rooiheuvel, Klipdrif, Seekoegat	Human, H Cllr
13	Bridgton	Luiters, P Cllr
Proportional		Windvogel, K Cllr Titus, M Cllr Magopeni, N Cllr Tyatya, JH Cllr Floors, JE Cllr Cobus, CL Cllr Sylvester, CF Cllr Mwati, N Cllr Maarman, DR Cllr Donson, VM Cllr Owen, BV Cllr Juthe, HG Cllr

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements for the year ended 30 JUNE 2017, which are set out on pages 3 to 80 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with Generally Recognized Accounting Practice (GRAP).

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year ended at 30 JUNE 2018 and am satisfied that the Municipality can continue in operational existence as a going concern for the foreseeable future.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.


AA PAULSE
MUNICIPAL MANAGER

31 August 2017
Date

UNAUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2017

	Notes	2017 (Actual) R	2016 (Restated) R
NET ASSETS AND LIABILITIES			
Net Assets		511 544 016	419 493 391
Accumulated Surplus/(Deficit)		511 544 016	419 493 391
Non-Current Liabilities		219 046 753	232 572 709
Long-term Liabilities	2	59 573 150	78 641 738
Employee benefits	3	111 326 229	112 455 389
Provisions	4	48 147 374	41 475 582
Current Liabilities		120 649 101	155 292 148
Consumer Deposits	5	7 803 190	7 127 876
Employee benefits	6	18 833 382	19 405 341
Provisions	7	6 113 112	5 777 940
Payables from exchange transactions	8	40 749 794	52 025 441
Unspent Conditional Government Grants and Receipts	9	9 838 621	16 783 915
Taxes	10	6 294 806	6 906 321
Current Portion of Long-term Liabilities	2	31 016 196	47 265 314
Total Net Assets and Liabilities		851 239 870	807 358 248
ASSETS			
Non-Current Assets		765 203 473	736 664 356
Property, Plant and Equipment	11	684 200 646	654 160 324
Heritage Assets	12	13 736 645	13 736 645
Capitalized Restoration Cost	13	3 510 952	4 013 681
Investment Property	14	63 333 846	64 470 497
Intangible Assets	15	421 384	283 209
Current Assets		86 036 397	70 693 892
Inventory	16	1 586 711	1 413 177
Receivables from exchange transactions	17	40 438 364	38 647 474
Receivables from non-exchange transactions	18	12 748 652	10 607 223
Unpaid Conditional Government Grants and Receipts	9	2 685 184	314 636
Operating Lease Asset	19	8 182	32 067
Cash and Cash Equivalents	20	28 569 304	19 679 315
Total Assets		851 239 870	807 358 248

UNAUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 (Actual) R	2016 (Restated) R
REVENUE			
Revenue from Non-exchange Transactions		208 438 319	169 537 026
Taxation Revenue		70 985 321	62 701 593
Property taxes	21	70 985 321	62 701 593
Transfer Revenue		111 480 962	94 430 137
Government Grants and Subsidies - Capital	22	38 180 678	25 212 659
Government Grants and Subsidies - Operating	22	73 224 078	68 934 846
Public Contributions and Donations		76 206	-
Contributed/ Donated PPE	23	-	282 632
Other Revenue		25 972 037	12 405 297
Fines		12 939 855	11 873 900
Government Incentives Received		760 280	517 197
Gain on disposal of Investment Property		-	14 200
Actuarial Gains	3	12 271 902	-
Revenue from Exchange Transactions		354 060 420	308 714 889
Service Charges	24	315 767 104	272 760 688
Admission Fees		15 645 227	12 593 563
Rental of Facilities and Equipment		2 336 525	2 278 081
Interest Earned - external investments		3 230 096	1 018 255
Interest Earned - outstanding debtors		6 390 851	9 008 294
Agency Services		3 134 238	2 199 629
Other Income	25	7 507 824	8 851 646
Stock Adjustments		48 555	4 734
Total Revenue		562 498 739	478 251 915
EXPENDITURE			
Employee Related Costs	26	181 733 467	190 111 816
Remuneration of Councillors	27	9 483 852	6 742 224
Debt Impairment	28	12 183 814	50 216 247
Depreciation and Amortisation	29	19 047 733	19 095 998
Impairments	30	877 011	12 199 143
Assets Written-off	11	598 340	1 238 139
Loss on Disposal of Assets	11	-	88 394
Repairs and Maintenance	31	15 279 306	8 699 202
Actuarial Losses	3	-	3 138 381
Finance Charges	32	16 092 880	16 867 337
Bulk Purchases	33	146 612 669	141 933 336
Contracted Services	34	23 204 775	24 454 449
General Expenses	35	45 334 268	42 524 294
Total Expenditure		470 448 115	517 308 960
NET SURPLUS/(DEFICIT) FOR THE YEAR		92 050 624	(39 057 045)



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UNAUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2017

	Accumulated Surplus	Total
	R	R
Balance at 30 JUNE 2015	453 475 219	453 475 219
Correction of error (refer note 36.2)	5 075 217	5 075 217
Restated Balance at 30 JUNE 2015	458 550 436	458 550 436
Net Deficit for the year	(39 057 045)	(39 057 045)
Restated Balance at 30 JUNE 2016	419 493 391	419 493 391
Net Surplus for the year	92 050 624	92 050 624
Balance at 30 JUNE 2017	511 544 016	511 544 016

UNAUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 (Actual) R	2016 (Restated) R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Ratepayers and other		403 157 661	374 630 644
Government - operating		73 224 078	68 934 846
Government - capital		38 180 678	25 212 659
Interest		9 620 947	10 026 548
Payments			
Suppliers and employees		(414 820 572)	(408 072 647)
Finance charges	32	(16 092 880)	(16 867 337)
Cash generated by operations	37	93 269 912	53 864 713
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(36 025 041)	(24 027 203)
Disposal of Property, Plant and Equipment		-	29 200
Purchase of Intangible Assets	15	(258 871)	-
Net Cash from Investing Activities		(36 283 912)	(23 998 003)
CASH FLOW FROM FINANCING ACTIVITIES			
Loans repaid		(13 696 987)	(11 458 111)
Movement in agreements with suppliers		(34 399 024)	48 808 697
Net Cash from Financing Activities		(48 096 011)	37 350 586
NET INCREASE IN CASH AND CASH EQUIVALENTS		8 889 989	67 217 295
Cash and Cash Equivalents at the beginning of the year		19 679 315	(47 537 980)
Cash and Cash Equivalents at the end of the year		28 569 304	19 679 315
NET INCREASE IN CASH AND CASH EQUIVALENTS		8 889 989	67 217 295



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UNAUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

STATEMENT OF COMPARISON OF BUDGET INFORMATION FOR THE YEAR ENDED 30 JUNE 2017

	Ref.	ORIGINAL BUDGET R	ADJUSTMENTS R	FINAL BUDGET R	ACTUAL R	ACTUAL VS BUDGET R
STATEMENT OF FINANCIAL POSITION						
Total current assets	C1	6 890 390	51 139 665	58 030 055	86 036 397	28 006 342
Total non- current assets	C2	677 947 301	60 049 537	737 996 838	765 203 473	27 206 635
Total current liabilities	C3	94 504 250	-	94 504 250	120 649 101	26 144 851
Total non- current liabilities	C4	240 739 047	-	240 739 047	219 046 753	(21 692 294)
Total Net Assets		349 594 394	111 189 202	460 783 596	511 544 016	50 760 420
STATEMENT OF FINANCIAL PERFORMANCE						
Grat Reporting Framework						
Revenue						
Property taxes		65 162 182	3 378 432	68 540 614	70 985 321	2 444 707
Government Grants and Subsidies - Capital		48 504 000	(5 628 820)	42 875 180	38 180 678	(4 694 502)
Government Grants and Subsidies - Operating	C5	99 807 000	(18 762 142)	81 044 858	73 224 078	(7 820 780)
Public Contributions and Donations		-	-	-	76 206	76 206
Contributed/ Donated PPE		-	-	-	-	-
Fines		11 020 207	-	11 020 207	12 939 855	1 919 648
Government Incentives received		-	-	-	760 280	760 280
Actuarial Gains	C6	-	-	-	12 271 902	12 271 902
Service Charges	C7	321 506 703	(22 326 105)	299 180 598	315 767 104	16 586 506
Admission Fees	C8	-	-	-	15 645 227	15 645 227
Rental of Facilities and Equipment		2 161 885	(171 444)	1 990 441	2 336 525	346 083
Interest Earned - external investments		273 790	1 396 568	1 670 359	3 230 096	1 559 737
Interest Earned - outstanding debtors		8 649 641	(1 509 387)	7 140 254	6 390 851	(749 403)
Agency Services		4 696 860	(931 006)	3 765 854	3 134 238	(631 616)
Other Income	C8	20 823 295	2 412 633	23 235 928	7 507 824	(15 728 104)
Stock Adjustments		-	-	-	48 555	48 555
Total Revenue		582 605 563	(42 141 271)	540 464 292	562 498 739	22 034 448
Expenditure						
Employee related costs	C9	191 965 283	(2 436 572)	189 528 710	181 733 467	(7 795 243)
Remuneration of Councillors		9 622 359	45 393	9 667 753	9 483 852	(183 901)
Debt Impairment	C10	25 203 588	-	25 203 588	12 183 814	(13 019 774)
Depreciation and Amortisation		22 273 044	-	22 273 044	19 047 733	(3 225 311)
Impairments		-	-	-	877 011	877 011
Assets written-off		-	-	-	598 340	598 340
Repairs and Maintenance		13 450 514	(299 843)	13 150 671	15 279 306	2 128 635
Finance Charges	C11	7 879 382	-	7 879 382	16 092 880	8 213 498
Bulk Purchases		150 329 344	(11 095)	150 318 249	146 612 669	(3 705 580)
Contracted services		32 602 622	(7 612 678)	24 989 943	23 204 775	(1 785 168)
General Expenses	C12	92 006 791	(15 608 590)	76 398 200	45 334 268	(31 063 932)
Total Expenditure		545 332 927	(25 923 385)	519 409 541	470 448 116	(48 961 425)
Transfers recognised-operational						
Net Surplus for the year		37 272 636	(16 217 885)	21 054 750	92 050 623	70 995 873



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UNAUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

STATEMENT OF COMPARISON OF BUDGET INFORMATION FOR THE YEAR ENDED 30 JUNE 2017

	Ref.	ORIGINAL BUDGET R	ADJUSTMENTS R	FINAL BUDGET R	ACTUAL R	ACTUAL VS BUDGET R
CASH FLOW STATEMENT						
Net Cash from Operating Activities	C13	37 272 636	51 188 576	51 188 576	93 269 912	42 081 336
Net Cash from Investing Activities	C14	(47 359 369)	(42 340 945)	(42 340 945)	(36 283 912)	6 057 033
Net Cash from Financing Activities	C15	(9 504 250)	(9 504 250)	(9 504 250)	(48 096 011)	(38 591 761)
Net increase/(decrease) in cash and cash equivalents		(19 590 983)	(656 618)	(656 618)	8 889 989	9 546 607
OPERATING EXPENDITURE BY MUNICIPAL VOTE						
Community and Public Safety		151 199 317	(13 700 643)	137 498 675	106 366 416	(31 132 258)
Corporate Services		24 246 145	4 130 754	28 376 899	24 471 121	(3 905 778)
Executive and Council		66 716 052	(10 207 487)	56 508 565	52 096 606	(4 411 959)
Financial Services		37 694 970	(399 614)	37 295 356	30 060 126	(7 235 230)
Municipal Manager		28 547 518	522 512	29 070 031	19 000 383	(10 069 648)
Technical Services		282 271 328	2 376 610	284 647 938	238 404 910	(46 243 028)
		590 675 330	(17 277 868)	573 397 463	470 399 561	(102 997 902)
CAPITAL EXPENDITURE BY MUNICIPAL VOTE						
Community and Public Safety		7 211 793	(2 581 927)	4 629 866	4 064 268	(565 598)
Corporate Services		-	-	-	-	-
Executive and Council		-	-	-	-	-
Financial Services		650 000	189 896	839 896	839 079	(817)
Municipal Manager		112 000	151 135	263 135	123 288	(139 847)
Technical Services	C16	39 385 576	(2 777 528)	36 608 048	31 257 268	(5 350 780)
		47 359 369	(5 018 424)	42 340 945	36 283 903	(6 057 042)
Value added Tax		1 144 631	4 349 003	5 493 634	4 102 532	
Own Funding		-	(4 959 399)	(4 959 399)	(3 605 183)	
Transfers recognised-capital		48 504 000	(5 628 820)	42 875 180	36 781 252	
Variance						

The budget was performed on the accrual basis.

Budgeted and actual expenditure reported exclusive of VAT.

Refer to note 40 for explanations of material variances between the original budget and final budget.

Refer to note 40 for explanations of material variances between actual amounts and the final budget.

Material variances are considered as variances larger than R4.7 million.

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE ANNUAL FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The annual financial statements have been prepared in accordance with the effective standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 and the hierarchy approved in Directive 5 issued by the ASB.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible Assets where the acquisition cost of an asset could not be determined.

"If fair value at the measurement date cannot be determined for an item of property, plant and equipment, investment property or a heritage asset, an entity may estimate such fair value using:

- (a) Depreciated replacement cost at the measurement date for an item of property, plant and equipment;
- (b) Depreciated replacement cost at the measurement date for an investment property, but only if the investment property is of such a specialised nature that there is no market-based evidence of fair value; and
- (c) Replacement cost at the measurement date for heritage assets."

The cost for depreciated replacement cost is determined by using either one of the following:

- cost of items with a similar nature currently in the municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

UNAUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. No financial values are given in an abbreviated display format. No foreign exchange transactions are included in the statements.

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. This is as per the requirement of GRAP1.49. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.6. PRESENTATION OF BUDGET INFORMATION

Budget information required in terms of GRAP 24 have been disclosed in the financial statements. The presentation of budget information was prepared in accordance with the guidelines issued by the ASB.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts. The budget information is therefore on a comparable basis to the actual amounts. The financial statements are prepared on the accrual basis using a classification on the nature of expenses in the statement of financial performance. The entity thus prepared a separate Statement of Comparison of Budget and Actual Amounts has been disclosed in the notes to the Annual Financial Statements in accordance with GRAP 24. Where needed, a reconciliation was prepared of the actual amounts on a comparable basis to the actual amounts presented in the financial statements. Where applicable a reason has been supplied where variances between actual and budget information is considered material.

UNAUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

1.7. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

Standard	Description	Effective Date
IGRAP 17	<p>Service Concession Arrangements where a grantor controls a significant residual interest in an Asset</p> <p>The Interpretation of the Standards is to provide guidance to the grantor where it has entered into a service concession arrangement, but only controls, through a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	Unknown
GRAP 20	<p>Related Party Disclosures</p> <p>The objective of this Standard is to ensure that a reporting entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>Information to a large extent is already included in the notes to the annual financial statements.</p>	Unknown
GRAP 32	<p>Service Concession Arrangements: Grantor</p> <p>The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.</p> <p>No significant impact is expected as the entity does not participate in significant concession transactions.</p>	Unknown
GRAP 108	<p>Statutory receivables</p> <p>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p> <p>Information to a large extent is already included in the notes to the annual financial statements.</p>	Unknown

UNAUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

GRAP 109	<p>Accounting by Principles and Agents</p> <p>The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.</p> <p>This Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and / or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and / or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.</p> <p>This will have a potential material impact.</p>	Unknown
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The following GRAP standard have been issued and is effective, but implementation is delayed and have not been early adopted by the municipality:

Standard	Description	Effective Date
GRAP 18	<p>Segment Reporting</p> <p>The objective of this Standard is to establish principles for reporting financial information by segments.</p> <p>No significant impact is expected as the trial balance of the municipality is already set up in departments.</p> <p>This standard is delayed for the 2016/2017 financial year due to mSCOA.</p>	<p>1 April 2015 (Delayed in terms of Directive 5)</p>

1.8 LEASES

1.8.1 Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured at an amount equal to the fair value of the leased asset or, if lower, the present value of the sum of the minimum lease payments due in terms of the lease agreement. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

UNAUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease payments are recognised on a straight-line basis over the term of the relevant lease, and differences are recognised as operating lease assets.

1.8.2 Municipality as Lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease, and differences are recognised as operating lease liabilities.

1.9 GOVERNMENT GRANTS AND RECEIPTS

1.9.1 Unspent Conditional Government Grants and Receipts

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants and subsidies.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.

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- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.9.2 Unpaid Conditional Government Grants and Receipts

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

The following provisions are set for the creation and utilisation of the grants as receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.10 UNSPENT PUBLIC CONTRIBUTIONS

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.11 PROVISIONS

Provisions are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

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The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

1.12 EMPLOYEE BENEFITS

(a) *Post-Retirement Medical Benefits*

The municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

(b) *Long Service Awards*

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

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Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, are charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

(c) *Accrued Leave Pay*

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and on the total remuneration package of the employee. Leave is non-vesting as per GRAP 25.14.

(d) *Performance Bonuses*

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrued to Section 57 employees.

(e) *Pension and Retirement Fund Obligations*

The municipality provides retirement benefits for its employees and councillors. Defined benefit plans are post-employment benefit plans other than defined contribution plans. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans. (see note 3.3 in the Financial Statements in this regard)

(f) *Short-term Employee Benefits*

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- As a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- As an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

1.13. PROPERTY, PLANT AND EQUIPMENT

1.13.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired are initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.13.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment is carried at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

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1.13.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end when there is an indication that the municipality's expectations have changed since the prior year, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

Infrastructure assets

Electricity

CLASS	ASSET TYPE	EXPECTED USEFUL LIFE
Low Voltage	LV Overhead Line	50
Low Voltage	LV Underground Cable	50
Low Voltage Network	Consumer Connection Cable	50
Low Voltage Network	Consumer Connection Point	15-30
Low Voltage Network	High Mast Lighting	20
Low Voltage Network	Other Assets	15-30
Low Voltage Network	Pillar Box	40
Medium Voltage	Auto Recloser	45
Medium Voltage	Capacitor	31
Medium Voltage	Current Transformer	50
Medium Voltage	Distribution Transformer	50-61
Medium Voltage	Mini Substation	50
Medium Voltage	MV Overhead Line	10-52
Medium Voltage	MV Underground Cable	25-50
Medium Voltage	Ring Main Unit	45
Medium Voltage Substation	Auto Recloser	45
Medium Voltage Substation	Battery Tripping Unit	10-21
Medium Voltage Substation	Capacitor Bank	17
Medium Voltage Substation	Circuit Breaker	50
Medium Voltage Substation	Current Transformer	50
Medium Voltage Substation	Distribution Transformer	50-52
Medium Voltage Substation	Electrical Plant	30
Medium Voltage Substation	Metering Unit	45
Medium Voltage Substation	Mv Switchgear	45
Medium Voltage Substation	Natural Earthing Resistor	50
Medium Voltage Substation	Other Assets	15-51



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Medium Voltage Substation	Power Transformer	50
Medium Voltage Substation	Protection Panel	45
Medium Voltage Substation	Ring Main Unit	45-51
Medium Voltage Substation	Voltage Transformer	50

Water

Borehole	Civil Structure	52-100
Borehole	Electrical Plant	15
Borehole	Mechanical Plant	5-12
Borehole	Other Assets	30
Bulk Water Pipeline	Civil Structure	30-55
Bulk Water Pipeline	Electrical Plant	17
Bulk Water Pipeline	Mechanical Plant	15-40
Bulk Water Pipeline	Other Assets	15-115
Bulk Water Pipeline	Pipes	60-100
Consumer Connections	Electrical Plant	50
Consumer Connections	Mechanical Plant	50
Dam	Civil Structure	50-115
Dam	Electrical Plant	17
Dam	Mechanical Plant	15-115
Dam	Other Assets	15
Pump Station	Civil Structure	21-115
Pump Station	Electrical Plant	15-30
Pump Station	Mechanical Plant	15-40
Pump Station	Other Assets	21-50
Reservoir	Civil Structure	21-115
Reservoir	Electrical Plant	15-45
Reservoir	Mechanical Plant	15-115
Reservoir	Other Assets	15-70
Water Pipeline	Pipes	50-100
Water Treatment Works	Civil Structure	21-50
Water Treatment Works	Electrical Plant	5-31
Water Treatment Works	Mechanical Plant	15-50
Water Treatment Works	Other Assets	15-50
Weir	Civil Structure	50-80
Weir	Electrical Plant	15-70
Weir	Mechanical Plant	15-50
Weir	Other Assets	30-80

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Sanitation

CLASS	ASSET TYPE	EXPECTED USEFUL LIFE
Bulk Sewer Pipeline	Pipes	100
Pump Station	Civil Structure	50
Pump Station	Electrical Plant	15-31
Pump Station	Mechanical Plant	15-31
Pump Station	Other Assets	15-30
Sewage Treatment Works	Civil Structure	20-100
Sewage Treatment Works	Electrical Plant	15-45
Sewage Treatment Works	Mechanical Plant	15-50
Sewage Treatment Works	Other Assets	15-50
Sewer Pipeline	Pipes	50-100

Roads and storm water

CLASS	ASSET TYPE	EXPECTED USEFUL LIFE
Footpaths	Civil Structure	15-35
Parking Bays	Civil Structure	50-52
Road	Civil Structure	7-50
Road	Other Assets	10-50
Structure	Civil Structure	20-100
Taxi Rank	Civil Structure	50
Taxi Rank	Other Assets	15-50
Channel	Civil Structure	5-52
Culvert	Civil Structure	50
Storm Water Pipeline	Pipes	50-52

Community Assets

CLASS	EXPECTED USEFUL LIFE
Buildings	100
Recreation Grounds	20-30
Security	5
Halls	100
Libraries	100
Parks and Gardens	15-20
Other Assets	15-20



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Other Assets

CLASS	EXPECTED USEFUL LIFE
Buildings	100
Bicycles	3-4
Office Equipment	4-9
Furniture And Fittings	5-8
Motor Vehicles	5-20
Emergency Equipment	5
Computer Equipment	5-9
Workshop Equipment and Tools	5-15
Trucks	5-32

Finance lease assets

CLASS	EXPECTED USEFUL LIFE
Office Equipment	3-5
Other Assets	5

Finance lease assets are depreciated over the shortest period of the useful life of the asset or the term of the finance lease agreement.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.13.4 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.13.5 Land and Buildings and Other Assets – Application of Deemed Cost (Directive 7)

The municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings, the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007. For Other Assets, the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2007.

1.14 INTANGIBLE ASSETS

1.14.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- Is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- Arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, the deemed cost is the carrying amount of the asset(s) given up.

1.14.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.14.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight-line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

Intangible Assets	Years
Computer Software	5
Computer Software Licences	5
Storm Water Master Plan	20

1.14.4 De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.14.5 Application of deemed cost (Directive 7)

The municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets, the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2007.

1.15. INVESTMENT PROPERTY

1.15.1 Initial Recognition

Investment property shall be recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and / or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.15.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less any accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life. Buildings are depreciated over 100 years.

1.15.3 De-recognition

Investment property is derecognised when it is disposed of or when there are no further economic benefits or service potential expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.15.4 Application of deemed cost - Directive 7

The municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007.

1.16. HERITAGE ASSETS

1.16.1 Initial Recognition

Heritage assets shall be recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the heritage asset will flow to the entity, and
- the cost or fair value of the heritage asset can be measured reliably.

For the heritage asset to be recognised in accordance with the criteria above, it needs to be controlled by the entity as a result of past events. Even though the entity may be restricted from disposing of a heritage asset based on a stipulation imposed by, for example, a trust, statute or law, or from the transferor's stipulations, the heritage asset is still controlled by the entity when it is able to generate future economic benefits or service potential from the asset. Accordingly, the entity recognises the heritage asset when the recognition criteria are met.

Future economic benefits or service potential flowing from a heritage asset may include revenue, for example an entrance fee charged by a museum. The revenue generated by the entity under such circumstances is normally insignificant compared to the operating costs of the museum and will not result in accounting for the heritage asset as an investment property. The revenue generated is rather used towards the maintenance of the heritage asset. The heritage asset should, however, be accounted for in terms of this Standard as the heritage value attached to the specific asset constitutes its service potential.

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If an entity holds an asset that might be regarded as a heritage asset but which, on initial recognition, does not meet the recognition criteria of a heritage asset because it cannot be reliably measured, relevant and useful information about it shall be disclosed in the notes to the financial statements.

A heritage asset that qualifies for recognition as an asset shall be measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

1.16.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, heritage assets are measured at cost less any accumulated impairment losses.

1.16.3 De-recognition

Heritage assets are derecognised when it is disposed of or when there are no further economic benefits expected from the use of the heritage assets. The gain or loss arising on the disposal or retirement of an item of heritage asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.17. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.17.1 Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.17.2 Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing of an asset is required, the Municipality estimates the asset's recoverable service amount.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using the following approach:

- *Depreciated Replacement Cost Approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

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An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.18 INVESTMENTS

Financial instruments, which include, investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.19 INVENTORIES

1.19.1 Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business, unless they are to be distributed. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.19.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method. Cost of land held for sale is assigned by using specific identification of their individual costs.

1.20. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange transactions and non-exchange transactions).

1. 20.1 Initial Recognition

Financial instruments are initially recognised when the municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability

1. 20.2 Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

1. 20.2.1 Receivables

Receivables are classified as financial instruments at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

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For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset

in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1. 20.2.2 Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1. 20.2.3 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

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Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1. 20.3 *De-recognition of Financial Instruments*

1. 20.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired or settled/waved; or
- the municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the municipality has transferred substantially all the risks and rewards of the asset, or (b) the municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay.

When continuing involvement takes the form of a written and / or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1. 20.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1. 20.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.21 REVENUE

1.21.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine revenue constitutes both spot fines and summonses. Fines are recognised as revenue when the receivables meet the definition of an asset and satisfy the criteria for recognition as an asset. Fines are initially measured at its' fair value at the date of acquisition, which is the best estimate of the inflow of economic benefits. The probability of non-payment is not considered at initial recognition. The non-payment of fines is estimated at subsequent measurement with reference to historical data and payment trend analysis. Any impairment loss is recognised in surplus / deficit.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed/Donated property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Government incentives received is recognised when it is received as there are no conditions to be met.

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All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the municipality's bank account will be treated as revenue as historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore, the substance of these transactions indicates that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof is virtually certain.

Revenue is measured at the fair value of the consideration received or receivable.

When, because of a non-exchange transaction, a municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.21.2 Grants, Transfers and Donations (Non-Exchange Revenue)

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

1.21.3 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from exchange transactions is only recognised once all the following criteria have been satisfied:

- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably; and
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality and the cost incurred or to be incurred in respect of the transaction can be measured reliably.

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Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. An adjustment is made at year-end for unused units.

Service charges relating to refuse removal are recognised on an annual basis in advance by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage.

Service charges from sanitation (sewerage) are recognised on an annual basis in advance by applying the approved tariff to each property that has improvements.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue from Admission Fees is recognised on admission date.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services. The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

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In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

Revenue from exchange transactions is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the municipality.

1.22 BORROWING COST

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

1.23 RELATED PARTIES

The municipality has used the disclosure requirements as per GRAP 20 to formulate this accounting policy and is summarised as follows.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common or joint control.

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(a) Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2nd and 3rd bullet, or over which such a person is able to exercise significant influence.

(b) Key management personnel include:

- All members of the governing body of the entity, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.24 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted or is expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, or is expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.25 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure recovered is subsequently accounted for as revenue in the Statement of Financial Performance.

1.26 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

UNAUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

1.27 CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Management judgement is required when recognising and measuring contingent liabilities.

1.28 CONTINGENT ASSET

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Management judgement is required when recognising and measuring contingent assets.

1.29 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Post-Retirement Medical Obligations, Long Service Awards and Ex Gratia Gratuities

The cost of post-retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Effective Interest rate

The municipality used the most relevant contractual risk rate applicable to each category of assets and liabilities to discount future cash flows. Where none exists the prime interest rate is used to discount future cash flows.

Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

For deemed cost applied to other assets, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

For deemed cost applied to land and buildings management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

For deemed cost applied to intangible assets management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

For deemed cost applied to Investment Property, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Provisions and Contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

Revenue Recognition

Accounting Policy 1.22.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.22.3 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

Provision For Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site at year end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

Provision For Performance Bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by council.

Provision For Staff Leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

Pre-Paid Electricity Estimation

Pre-paid electricity is only recognised as revenue once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year end that is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using between 5 and 10 days' worth of unused electricity.

Componentisation Of Infrastructure Assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

UNAUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

1.30 TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.31 CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date and is disclosed inclusive of VAT.

1.32 EVENTS AFTER REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

1.33 AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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LONG-TERM LIABILITIES

	2017 R	2018 R
Annuity Loans - At amortised cost	59 717 075	72 473 696
Agreements with suppliers - At amortised cost	18 834 732	53 233 756
Previously disclosed		14 250 617
Prior year correction per note 35.4		38 983 139
Capitalised Lease Liability - At amortised cost	12 037 539	199 600
Current Portion transferred to Current Liabilities	90 589 346	125 907 052
	(31 016 196)	(47 265 314)
Annuity Loans - At amortised cost	(8 929 482)	(12 756 621)
Agreements with suppliers - At amortised cost	(17 952 411)	(34 383 283)
Previously disclosed		(6 304 661)
Current portion of prior year correction		(28 078 603)
Capitalised Lease Liability - At amortised cost	(4 134 303)	(125 429)
Total Long-term Liabilities - At amortised cost using the effective interest rate method	59 573 150	76 641 738

Refer below for maturity dates of long-term liabilities:

The obligations under annuity loans are scheduled below:

Amounts payable under annuity loans:

Payable within one year	15 096 430	22 650 946
Payable within two to five years	60 504 106	58 713 855
Payable after five years	5 484 326	22 371 008
	81 084 862	103 735 809
Less: Future finance obligations	(21 367 787)	(31 262 112)
Present value of annuity obligations	59 717 075	72 473 696

Annuity loans at amortised cost are calculated between 8.36% and 15.63% interest rate, with the first maturity date on 31 December 2019 and the last maturity date on 30 June 2027.

The obligations under Agreements with Suppliers are scheduled below:

Amounts payable under agreements with suppliers:

Payable within one year	18 419 967	35 411 940
Payable within two to five years	891 607	19 311 774
Payable after five years		
	19 311 774	54 723 713
Less: Future finance obligations	(477 041)	(1 489 957)
Present value of agreement obligations	18 834 732	53 233 756

Agreements with suppliers at amortised cost are calculated between 0% and 15.5% interest rate, with the first due date on 30 June 2018 and the last due date on 1 June 2019.

The obligations under finance leases are scheduled below:

Amounts payable under finance leases:

Payable within one year	5 355 777	142 473
Payable within two to five years	8 785 509	77 740
Payable after five years	-	
	14 121 286	220 212
Less: Future finance obligations	(2 083 747)	(20 612)
Present value of lease obligations	12 037 539	199 600

Leases are secured by property, plant and equipment - Note 11

Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.

General description of material lease arrangements:

Motor vehicles		11 985 299	75 454
Basis of contingent rent:	No contingent rent component.		
Renewal or purchases options:	All assets are returned to the lessee.		
Escalation:	Installments are fixed.		
Restrictions:	None specified.		
Further leasing:	No further leasing.		
Printing equipment		42 240	124 146
Basis of contingent rent:	No contingent rent component.		
Renewal or purchases options:	All assets are returned to the lessee.		
Escalation:	Installments are fixed.		
Restrictions:	None specified.		
Further leasing:	Assets are leased at current contract rates until new contracts are concluded to acquire new replacement assets.		
		12 037 539	199 600

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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EMPLOYEE BENEFITS

Post Retirement Benefits - Refer to Note 3.1
Long Service Awards - Refer to Note 3.2

Total Non-current Employee Benefit Liabilities

Post Retirement Benefits

	2017 R	2016 R
Balance 1 July	108 665 673	94 361 826
Previously disclosed		80 681 564
Prior year correction per note 36.17		13 480 262
Contribution for the year	(3 668 793)	(2 657 040)
Previously disclosed		(2 277 456)
Prior year correction per note 36.17		(379 584)
Interest Cost	9 668 899	8 340 637
Previously disclosed		7 149 118
Prior year correction per note 36.17		1 191 519
Current Service Cost	5 222 974	5 204 767
Previously disclosed		4 461 245
Prior year correction per note 36.17		743 522
Actuarial Loss/(Gain)	(11 702 344)	3 415 483
Previously disclosed		2 827 535
Prior year correction per note 36.17		487 948
Total post retirement benefits 30 June	108 186 409	106 665 673
Less: Transfer of Current Portion - Note 6	(3 879 568)	(3 408 316)
Previously disclosed		(2 921 326)
Prior year correction		(486 988)
Balance 30 June	104 306 841	105 257 357

Long Service Awards

Balance 1 July	7 836 276	7 660 798
Contribution for the year	(518 809)	(789 689)
Interest Cost	641 577	585 947
Expenditure for the year	661 900	656 322
Actuarial Loss/(Gain)	(589 558)	(277 102)
Total long service 30 June	8 051 386	7 836 276
Less: Transfer of Current Portion - Note 6	(1 031 998)	(638 244)
Balance 30 June	7 019 388	7 198 032

TOTAL NON-CURRENT EMPLOYEE BENEFITS

Balance 1 July	116 501 949	102 022 624
Contribution for the year	(4 187 602)	(3 446 728)
Interest cost	10 310 476	8 926 584
Expenditure for the year	5 884 874	5 861 089
Actuarial Loss/(Gain)	(12 271 902)	3 138 381
Total employee benefits 30 June	116 237 795	116 501 949
Less: Transfer of Current Portion - Note 6	(4 911 566)	(4 046 560)
Balance 30 June	111 326 229	112 455 389

3.1

Post Retirement Benefits

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	289	297
In-service (employee) Non members	268	277
Continuation members (e.g. Retirees, widows, orphans)	93	91
Total Members	650	665

The liability in respect of past service has been estimated to be as follows:

In-service members (R million)	46 421	47 218
In-service non members (R million)	11 261	11 864
Continuation members (R million)	50 504	49 484
Total Liability	108 186	108 666

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;
LA Health;
Hosmed;
Samwumend; and
Keyhealth.

Key actuarial assumptions used:

	2017	2016
I) Rate of Interest		
Discount rate	9.67%	9.04%
Health Care Cost Inflation Rate	7.95%	8.14%
Net Effective Discount Rate	1.58%	0.83%

II) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

III) Normal retirement age

It has been assumed that in-service members will retire at age 60, which then implicitly allows for expected rates of early and ill-health retirement.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations (R million)	108 186	108 666
Net liability / (asset)	108 186	108 666
The municipality has elected to recognise the full increase in this defined benefit liability immediately as per GRAP 25, Employee Benefits.		
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	108 666 673	94 361 826
Total expenses	11 223 080	10 888 364
Current service cost	(3 668 793)	(2 657 040)
Interest Cost	9 668 899	8 340 637
Benefits Paid	5 222 874	5 204 767
Actuarial (gains)/losses	(11 702 344)	3 415 483
Present value of fund obligation at the end of the year	108 186 409	108 666 673
Less: Transfer of Current Portion - Note 6	(3 879 568)	(3 408 316)
Balance 30 June	104 306 841	105 257 357

Sensitivity Analysis on the Accrued Liability

		In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)		
Assumption						
Central Assumptions		57.882	50.504	108.186		
The effect of movements in the assumptions are as follows:						
Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change	
Health care inflation	1%	60.757	55.625	125.382	16%	
Health care inflation	-1%	48.112	46.089	94.181	-13%	
Discount Rate	1%	48.322	46.170	94.492	-13%	
Discount Rate	-1%	60.667	55.588	125.255	16%	
Post-retirement mortality	-1 year	58.436	52.415	111.851	3%	
Average retirement age	-1 year	62.566	50.504	113.070	5%	
Withdrawal Rate	-10%	49.005	50.504	99.509	-8%	

iv) Valuation method

The Projected Unit Credit Method has been used to value the liabilities.

v) Determination of discount rate

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the post-employment liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

Consequently, a discount rate of 9.67% per annum has been used. The corresponding index-linked yield at this term is 2.55%. These rates were deduced from the yield curve obtained from the Bond Exchange of South Africa after the market close on 30 June 2017.

The rate is calculated by using a liability-weighted average of yields for the three components of the liability. Each component's fixed-interest and index-linked yield was taken from the bond yield curve at that component's duration, using an iterative process (because the yield depends on the liability, which in turn depends on the yield). The three components are as follows:

Components of the discount rate and duration of the liabilities	Duration (Years)	Fixed-Interest Yield	Index-Linked Yield
In-service members' retirement liability	22.67	10.18%	2.55%
Death-In-service liability	21.89	10.18%	2.56%
Continuation members' liability	10.17	9.09%	2.54%
Liability-weighted average	16.82	9.67%	2.55%

3.2 Long Service Bonuses

The Long Service Bonus plans are defined benefit plans.

As at year end, the following number of employees were eligible for Long Service Bonuses.

557	574
-----	-----

Key actuarial assumptions used:

i) Rate of Interest

Discount rate	8.39%	8.53%
General Salary Inflation (long-term)	8.21%	7.19%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	2.05%	1.25%

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	8 051 396	7 836 276
Net liability	8 051 396	7 836 276

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	7 836 276	7 680 798
Total expenses	784 868	452 580
Benefits vested	(518 809)	(789 689)
Interest Cost	641 577	585 947
Current service cost	681 900	656 322
Actuarial (gains)/losses	(569 558)	(277 102)
Present value of fund obligation at the end of the year	8 051 386	7 836 276
Less: Transfer of Current Portion - Note 8	(1 031 998)	(638 244)
Balance 30 June	7 019 388	7 198 032

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability	% Change
Central assumptions		7.836	
General salary inflation	1%	8.341	6%
General salary inflation	-1%	7.377	-6%
Discount Rate	1%	7.351	-6%
Discount Rate	-1%	8.380	7%
Average retirement age	-2yrs	6.574	-16%
Average retirement age	+2yrs	9.082	16%
Withdrawal rates	-50%	9.257	18%

II) Valuation method

The Projected Unit Credit Method has been used to value the liabilities.

III) Determination of discount rate

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the employee benefit liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

Consequently, a discount rate of 8.39% per annum has been used. The first step in the derivation of this yield is to calculate the liability-weighted average of the yields corresponding to the actual terms until payment of long service awards, for each employee. The 8.39% is then derived as the liability-weighted average of the yields derived in the first step. The corresponding liability-weighted index-linked yield is 2.55%. These rates do not reflect any adjustment for taxation. These rates were deduced from the yield curve obtained from the Bond Exchange of South Africa after the market close on 30 June 2017.

3.3 Retirement funds

The contribution expense relating to retirement funds are as per note 26.

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrators confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrators. The fund administrators claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Pension Fund, Cape Joint Retirement Fund and the Old Mutual Fund are defined as defined benefit plans, it will be accounted for as defined contribution plans. All requirements disclosed has been made as defined in GRAP 25.31

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
NON-CURRENT PROVISIONS		
Provision for Rehabilitation of Landfill-sites	48 147 374	41 475 582
Provision for Clearing of Alien Vegetation		
Total Non-current Provisions	48 147 374	41 475 582
Landfill Sites		
Balance 1 July	47 253 522	45 388 528
Contribution for the year	7 006 964	1 866 996
Total provision 30 June	54 260 486	47 253 522
Less: Transfer of Current Portion to Current Provisions - Note 7	(6 113 112)	(5 777 940)
Balance 30 June	48 147 374	41 475 582

The landfill sites consist of the following solid waste disposal sites with a remaining useful life of:

	No of Years	No of Years
Grootkop Landfill	38	39
Dysseidorp Landfill (Closing)	1	1
Dysseidorp Landfill (Opening)	8	9
De Rust Landfill (Closing)	1	1
De Rust Landfill (Opening)	8	9

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation, discounted at 5.39% (2016: 6.58%) , over the expected useful lives as indicated above.)

The estimation of the current liability to rehabilitate the landfill sites were performed by Ingerop South Africa. Ingerop South Africa are not connected to the municipality.

The current CPI rate is 5.1% (2016: 6.3%), it was estimated that no significant increase or decrease in the rate can be assumed in this calculation, however if fluctuations in the rate were incorporated into the calculation it is expected that the effect will be negligible.

Alien Vegetation

Balance 1 July		
Previously reported		11 075 609
Prior year correction per note 36.18		(11 075 609)
Change in estimate		
Additions		
Contribution for the year		
Previously reported		697 763
Prior year correction per note 36.18		(697 763)
Total provision 30 June		
Less: Transfer of Current Portion to Current Provisions - Note 7		
Balance 30 June		

5

CONSUMER DEPOSITS

Electricity	3 780 939	3 477 506
Water	4 022 251	3 850 370
Total Consumer Deposits	7 803 190	7 127 876
Guarantees held in lieu of Electricity and Water Deposits		

The fair value of consumer deposits approximate their carrying value. Interest are not paid on these amounts.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
6 CURRENT EMPLOYEE BENEFITS		
Current Portion of Post Retirement Benefits - Note 3	3 879 568	3 408 316
Current Portion of Long-Service Provisions - Note 3	1 031 998	638 244
Staff Leave	8 574 421	10 709 588
Previously disclosed		10 910 690
Prior year correction per note 36.13		(201 102)
Bonuses	4 413 609	3 872 919
TASK Evaluation		-
Previously disclosed		583 600
Prior year correction per note 36.19		(583 600)
Accrued overtime and subsistence payments	933 786	776 274
Total Current Employee Benefits	18 833 382	18 405 341
The movement in current employee benefits are reconciled as follows:		
<u>Staff Leave</u>		
Balance at beginning of year	10 709 588	8 993 421
Contribution to current portion	(1 483 014)	3 279 649
Expenditure incurred	(662 153)	(1 563 482)
Balance at end of year	8 574 421	10 709 588
Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.		
<u>Bonuses</u>		
Balance at beginning of year	3 813 463	4 054 877
Contribution to current portion	7 548 239	7 108 324
Expenditure incurred	(7 312 839)	(7 348 736)
Balance at end of year	4 048 863	3 813 463
<u>Performance Bonuses</u>		
Balance at beginning of year	59 456	139 287
Contribution to current portion	304 790	(79 811)
Balance at end of year	364 246	59 456
<u>TASK Evaluation</u>		
Balance at beginning of year	-	583 600
Prior year correction per note 36.19	-	(583 600)
Contribution to current portion	-	-
Expenditure incurred	-	-
Balance at end of year	-	-
The Categorisation and Job Evaluation Wage Curves Collective Agreement became effective on 1 July 2010. Hereby all employees (excluding Municipal Manager, Section 57 Managers and contractual employees) are to receive new wage rates as a result of their jobs being evaluated as per the TASK Job Evaluation System and published by SALGBC. Qualifying employees will receive back pay as from 1 October 2009 as per clause 7.2.6 of the Collective Agreement.		
7 CURRENT PORTION OF PROVISIONS		
Current Portion of Rehabilitation of Landfill-sites - Note 4	6 113 112	5 777 940
Current Portion of Clearing of Alien Vegetation - Note 4	-	-
Total Provisions	6 113 112	5 777 940
8 PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade and other Payables	34 108 756	47 031 964
Previously disclosed		88 995 660
Prior year correction per note 36.3		(41 963 696)
Pre-paid electricity	218 315	171 730
Payments received in advance	3 649 351	3 809 110
Retention fees	1 762 211	143 371
Pensioner deposits	29 216	167 572
Unallocated funds debtors	240 085	154 130
Advance Receipts	61 236	15 450
Sundry Deposits	679 623	532 114
Total Payables from Exchange Transactions	40 749 794	52 025 441
Payables are being recognised net of any discounts.		
Policy are that payables are paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.		
Sundry deposits include hall, builders and housing Deposits.		

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
9 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS		
Unspent Grants	9 838 621	16 783 915
National Government Grants	4 614 062	9 185 129
Previously disclosed		9 723 546
Prior year correction per note 36.5		(538 417)
Provincial Government Grants	5 224 559	7 588 786
Previously disclosed		7 748 980
Prior year correction per note 36.5		(150 194)
District Municipality		-
Previously disclosed		161 841
Prior year correction per note 36.5		(161 841)
Less: Unpaid Grants	2 685 184	314 636
National Government Grants	2 685 184	-
Provincial Government Grants	-	314 636
Public Grants	-	-
Previously disclosed		70 923
Prior year correction per note 36.12		(70 923)
Total Conditional Grants and Receipts	7 153 437	16 469 279
See appendix "C" for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.		
10 TAXES		
10.1 VAT PAYABLE		
VAT Payable	8 419 225	13 300 151
Total VAT payable	8 419 225	13 300 151
10.2 VAT RECEIVABLE		
VAT Receivable	2 124 419	6 221 300
Prior year correction per note 36.6	-	172 529
Total VAT receivable	2 124 419	6 393 829
10.3 NET VAT RECEIVABLE/(PAYABLE)	(6 294 806)	(6 906 321)
VAT is accounted for on the accrual basis and submitted to SARS on the cash basis.		

11 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2017

Reconciliation of Carrying Value

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	Operating Balance R	Adjustments R	Restated opening balance R	Cost Additions R	Work in Progress R	Written Off / Derecognised R	Closing Balance R	Operating Balance R	Adjustments R	Restated opening balance R	Impairment Loss R	Depreciation R	Written Off / Derecognised R	Closing Balance R	Carrying Value R
Land and Buildings	125 080 467	-	125 080 467	3 438 265	-	(213 833)	128 304 898	3 768 013	-	3 768 013	-	424 404	(208 860)	4 012 817	124 292 372
Land Buildings	92 901 885	-	92 901 885	3 438 265	-	(213 833)	95 116 317	3 768 013	-	3 768 013	-	424 404	(208 860)	3 866 361	92 888 759
Infrastructure	640 484 884	-	640 484 884	2 437 416	28 538 821	-	671 470 901	213 287 888	-	213 287 888	-	12 448 879	-	224 736 767	448 784 330
Electricity	76 504 686	-	76 504 686	613 861	6 050 238	-	83 368 765	23 474 846	-	23 474 846	-	1 512 702	-	24 887 548	80 381 148
Water	326 304 882	-	326 304 882	1 865 021	1 865 021	-	329 174 913	113 154 733	-	113 154 733	-	4 901 579	-	118 056 312	210 118 000
Sanitation	49 718 341	-	49 718 341	1 032 555	17 021 188	-	52 842 000	13 608 370	-	13 608 370	-	540 431	-	14 148 801	38 344 481
Roads and Stormwater	187 963 735	-	187 963 735	-	-	-	234 884 900	52 018 851	-	52 018 851	-	5 040 967	-	57 059 818	137 922 105
Community Assets	84 545 141	-	84 545 141	841 119	-	-	85 386 260	8 812 121	-	8 812 121	-	520 974	-	7 291 147	87 683 108
Parks and Gardens	34 064 189	-	34 064 189	-	-	-	34 064 189	3 942 467	-	3 942 467	-	345 013	-	4 287 480	23 778 709
Libraries	4 063 758	-	4 063 758	841 119	-	-	4 904 877	320 205	-	320 205	-	40 838	-	361 043	3 762 815
Recreation Grounds	48 015 966	-	48 015 966	-	-	-	48 015 966	1 877 882	-	1 877 882	-	461 307	-	2 339 189	48 527 928
Civic Buildings	8 401 200	-	8 401 200	-	-	-	8 401 200	671 267	-	671 267	-	84 018	-	755 285	7 646 915
Lease Assets	8 752 061	-	8 752 061	12 778 308	-	(2 887 676)	19 642 693	9 677 061	-	9 677 061	-	1 410 887	(2 887 676)	8 199 262	11 483 388
Vehicle and Office Equipment	9 792 061	-	9 792 061	12 778 308	-	(2 887 676)	19 642 693	9 677 061	-	9 677 061	-	1 410 887	(2 887 676)	8 199 262	11 483 388
Other Assets	43 235 337	-	43 235 337	768 420	-	(2 773 787)	41 229 970	26 433 232	-	26 433 232	-	2 839 832	(2 179 282)	27 213 950	14 008 387
Office Equipment	8 240 148	-	8 240 148	89 823	-	(133 064)	8 196 907	4 089 142	-	4 089 142	-	510 717	(105 454)	4 093 405	1 700 000
Furniture & Fittings	5 388 354	-	5 388 354	35 301	-	(74 647)	5 349 008	3 045 861	-	3 045 861	-	421 031	(54 918)	3 411 803	1 617 265
Motor vehicles	6 211 574	-	6 211 574	-	-	(694 678)	5 516 896	3 848 000	-	3 848 000	-	402 167	(489 778)	3 760 381	1 759 305
Emergency Equipment	332 630	-	332 630	-	-	(36 283)	296 347	228 870	-	228 870	-	23 261	(30 624)	223 307	70 040
Computer Equipment	3 855 865	-	3 855 865	608 818	-	(87 699)	4 376 984	2 189 188	-	2 189 188	-	388 915	(53 318)	2 537 176	1 882 680
Workshop Equipment and Tools	8 978 123	-	8 978 123	34 288	-	(178 791)	9 833 620	3 659 425	-	3 659 425	-	508 849	(128 802)	4 100 472	2 753 147
Trucks	14 238 926	-	14 238 926	-	-	(1 605 116)	12 633 810	9 373 114	-	9 373 114	-	520 662	(1 336 368)	8 857 408	3 867 771
	913 138 889	-	913 138 889	20 264 516	28 538 821	(5 875 276)	955 966 731	258 978 345	-	258 978 345	-	18 164 688	(8 376 928)	271 766 062	984 200 646

30 JUNE 2016

Reconciliation of Carrying Value

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	Operating Balance R	Adjustments R	Restated opening balance R	Cost Additions R	Work in Progress R	Written Off / Derecognised R	Closing Balance R	Operating Balance R	Adjustments R	Restated opening balance R	Impairment Loss R	Depreciation R	Written Off / Derecognised R	Closing Balance R	Carrying Value R
Land and Buildings	423 744 638	287 861	124 054 387	1 048 070	-	-	125 080 467	3 363 862	(3 168)	3 360 704	-	437 219	-	3 798 013	121 282 464
Land Buildings	81 511 734	348 078	81 857 812	1 044 073	-	-	82 901 885	13 126	-	13 126	-	437 219	-	13 126	82 888 759
Infrastructure	623 062 781	-	623 062 781	6 931 147	10 500 736	-	640 484 864	3 350 888	(3 168)	3 347 720	-	12 821 105	-	3 784 867	38 393 695
Electricity	73 324 864	-	73 324 864	759 202	2 422 140	-	76 504 686	199 718 369	(61 876)	199 656 493	-	1 407 346	-	212 357 868	428 238 775
Water	323 404 562	-	323 404 562	53 712	2 851 628	-	326 304 882	21 081 338	(3 770)	21 077 568	-	5 008 908	-	23 474 846	53 029 751
Sanitation	41 865 988	-	41 865 988	5 988 580	2 243 818	-	49 718 341	108 147 069	(1 244)	106 903 825	-	862 886	-	113 154 733	213 155 159
Roads and Stormwater	184 447 967	-	184 447 967	532 583	2 883 155	-	187 863 735	12 792 763	(78 100)	12 714 663	-	6 222 125	-	13 809 379	38 100 983
Community Assets	90 375 882	-	90 375 882	4 128 056	-	(155 697)	94 548 241	58 797 150	(483)	58 314 067	-	5 812 121	(22 148)	62 016 851	125 844 904
Parks and Gardens	34 104 089	-	34 104 089	-	-	(38 880)	34 064 189	5 821 715	-	5 821 715	-	348 002	(15 614)	6 015 121	80 121 722
Libraries	4 063 758	-	4 063 758	4 128 056	-	(115 527)	4 063 758	3 909 889	-	3 909 889	-	40 838	-	3 942 467	3 743 551
Recreation Grounds	44 006 987	-	44 006 987	-	-	-	44 006 987	270 588	-	270 588	-	439 808	(8 534)	1 877 882	46 138 114
Civic Buildings	8 401 200	-	8 401 200	-	-	-	8 401 200	1 444 008	-	1 444 008	-	84 018	-	857 548	7 729 633
Lease Assets	10 084 070	-	10 084 070	-	-	(282 068)	9 782 061	9 277 064	-	9 277 064	-	683 612	(283 616)	9 677 061	114 870
Vehicle and Office Equipment	10 084 070	-	10 084 070	-	-	(282 068)	9 782 061	9 277 064	-	9 277 064	-	683 612	(283 616)	9 677 061	114 870
Other Assets	47 487 986	(228 330)	47 259 656	1 424 084	-	(5 448 113)	43 235 337	28 237 061	(1 038 161)	27 208 900	-	3 975 358	(4 344 633)	28 433 232	18 783 165
Office Equipment	7 420 760	-	7 420 760	43 958	-	(1 230 907)	6 234 811	4 545 770	(221 862)	4 313 908	-	784 741	(1 018 377)	4 089 142	2 151 304
Furniture & Fittings	6 555 865	-	6 555 865	10 778	-	(1 199 284)	5 366 354	3 902 807	(167 542)	3 735 265	-	482 488	(1 032 042)	3 045 691	2 322 063
Motor vehicles	6 224 007	(113 338)	6 110 669	-	-	-	6 110 669	3 478 759	(120 322)	3 358 437	-	488 568	-	3 846 000	2 893 574
Emergency Equipment	416 132	-	416 132	-	-	(89 522)	326 610	263 000	(24 381)	238 619	-	35 488	(70 033)	228 670	100 800
Computer Equipment	4 894 311	-	4 894 311	237 211	-	(1 275 687)	3 855 835	2 812 735	(231 462)	2 581 273	-	487 425	(899 481)	2 189 188	1 668 605
Workshop Equipment and Tools	14 482 933	(222 897)	14 260 036	1 132 617	-	(1 067 763)	13 324 890	4 478 948	(171 266)	4 307 682	-	514 425	(1 262 780)	3 559 425	3 810 987
Trucks	884 588 784	81 651	885 005 368	13 826 487	10 500 736	(5 895 928)	913 138 889	248 518 821	(1 120 805)	247 398 016	-	18 150 825	(4 670 388)	258 878 345	984 180 324

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

		2017 R	2016 R
11	PROPERTY, PLANT AND EQUIPMENT (Continued)		
11.1 Assets pledged as security:			
	All the assets which are obtained by financial leases are pledged as security. See Annexure A, for a comprehensive description.		
11.2 Effect of changes in accounting estimates			
	<u>Change in estimates in terms of GRAP 3</u>		
	The useful life of certain assets have been changed based on the conditional assessment done during the physical asset verification process. The effect of the adjustments is as follows:		
		2017 Depreciation	2016 Depreciation
	Increase / (Decrease) in depreciation due to adjustments	Before After	Before After
	Infrastructure	488 348	195 081
	Other Assets	832 882	339 799
		1 321 230	534 880
		1 049 921	1 474 616
11.3 Property, Plant and Equipment which is in the process of being constructed or developed:			
	Infrastructure Assets	83 025 362	57 177 820
	Roads	19 945 952	2 924 784
	Storm Water	58 371	58 371
	Electricity	13 973 836	7 611 291
	Water Supply	46 204 582	44 339 561
	Sanitation	2 842 622	2 243 813
	Community Assets	3 720 539	4 125 084
	Other Assets	-	-
	Total Property, Plant and Equipment under construction	86 745 901	61 302 854
11.4 Property, Plant and Equipment that is taking a significantly longer period of time to complete than expected:			
	Infrastructure Assets	44 339 561	44 339 561
	Roads	-	-
	Storm Water	-	-
	Electricity	-	-
	Water Supply	44 339 561	44 339 561
	Sanitation	-	-
	Community Assets	-	-
	Other Assets	-	-
	Total Property, Plant and Equipment under construction	44 339 561	44 339 561
	The reason for the delay in the Blossoms Boreholes Project is due to the fact that an investigation into the suppliers of the project is underway and that the project has been halted.		
	RBIG stopped all the financing on the project and no own funds are available to complete the project.		
	Tender processes will begin in 2017/2018 to appoint a contractor for the project.		
11.5 Property, Plant and Equipment where construction or development has been halted:			
	As per note 11.4.		
12	HERITAGE ASSETS		
12.1 Net Carrying amount at 1 July		13 736 645	13 736 645
	Cost	13 736 645	13 736 645
	Accumulated Impairment	-	-
	Assets sold during the year	-	-
	Additions	-	-
	Impairment for the year	-	-
	Net Carrying amount at 30 June	13 736 645	13 736 645
	Cost	13 736 645	13 736 645
	Accumulated Impairment	-	-
	The following Heritage Assets were identified, but no value could be assigned:		
	<u>Rust en Vrede Waterfall</u>		
	The Rust & vrede Waterfall is engraved into the heart of the Swartberg Mountain. The Waterfall is situated on a scenic detour branching off the R328, 18km from Oudtshoorn on the way to the Cargo Caves on erf 25. It is classified as a heritage asset controlled and owned by the Municipality.		
	From this waterfall, Oudtshoorn acquires its water supply which is carried by a pipeline, 35 km in length, to the town reservoir and the Raubenheimer Dam.		
	The Rust and Vrede Waterfall is an asset that was not purchased or contributed. It could not be reliably measured as this is not a manmade structure and no market value exists as this is a unique natural landmark. This asset lacks comparability to other assets in the municipality. The cash flow method could not be used to obtain a value, as it is impractical to place a value on a natural landmark.		
	<u>Herrie's Stone, Meiringspoort, Oudtshoorn District</u>		
	The Afrikaans writer, C J Langenhoven, chiselled the name of the well-known elephant 'Herrie', from his book 'Sonde met die Bure', on this rock in July 1929.		
	This has been declared as a Heritage Site.		
	This heritage asset's value could not be reliably measured as it was not purchased nor is there an active market for it and there is no alternative method for valuating this heritage asset.		

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
12 HERITAGE ASSETS (Continued)		
The following Heritage Assets were identified and measured in terms of GRAP:		
<u>Cango Caves</u>	11 798 845	11 796 645
This famous attraction is situated in the Cango ward 29 km north of Oudtshoorn and situated on erf 28. It is classified as a heritage asset and controlled by the Municipality. The entrance is in the face of a hill beside the Grobbelaar's River. The maze of caves with their beautiful stalactite formations are most impressive. It is generally accepted that the caves were discovered in 1780 by a herdsman of a farmer called Van Zyl of Doornrivier, while he was looking for lost cattle.		
<u>CP Nel Museum Building</u>	1 940 000	1 940 000
The building reflects a late Victorian Colonial style of a classical building and dates from about 1909 and for some half a century served as a boys' school. In 1980 the building complex was declared a National Monument and is owned by the Municipality.		
Heritage assets at end of year - at book value	13 736 645	13 736 645
12.2 Expenditure incurred to repair and maintain Heritage Assets:		
Employee related costs		
Other materials		
Contracted Services		
Other Expenditure		
Total Repairs and Maintenance		
12.3 Heritage Assets which is in the process of being constructed or developed:		
No heritage assets are being constructed or developed.		
12.4 Heritage Assets that is taking a significantly longer period of time to complete than expected:		
No heritage assets are being constructed or developed.		
12.5 Heritage Assets where construction or development has been halted:		
No heritage assets are being constructed or developed.		
13 CAPITALISED RESTORATION COST		
Net Carrying amount at 1 July	4 013 681	4 516 410
Cost	11 527 893	11 527 893
Accumulated Depreciation	(7 063 960)	(6 561 231)
Accumulated Impairments	(450 252)	(450 252)
Movement	(502 729)	(502 729)
Additions	-	-
Change in estimate	-	-
Depreciation for the year	(502 729)	(502 729)
Impairment	-	-
Net Carrying amount at 30 June	3 510 952	4 013 681
Cost	11 527 893	11 527 893
Accumulated Depreciation	(7 566 689)	(7 063 960)
Accumulated Impairment	(450 252)	(450 252)
14 INVESTMENT PROPERTY		
14.1 Net Carrying amount at 1 July	64 470 497	76 987 953
Cost	79 085 200	79 110 200
Previously disclosed		79 456 278
Prior year correction per note 36.15		(346 078)
Accumulated Depreciation and impairment	(14 624 703)	(2 122 247)
Assets sold during the year	-	(15 000)
Additions	-	-
Previously disclosed		1 044 073
Prior year correction per note 36.15		(1 044 073)
Transfer of investment property (cost)	-	-
Transfer of investment property (acc depreciation)	-	-
Transfer cost to non current assets held for sale	-	-
Impairment for the year	(877 011)	(12 199 142)
Depreciation for the year	(259 640)	(303 313)
Net Carrying amount at 30 June	63 333 846	64 470 497
Cost	79 085 200	79 085 200
Accumulated Depreciation and impairment	(15 761 354)	(14 624 703)
There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.		
There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.		
14.2 Revenue derived from the rental of investment property	2 336 525	2 278 081

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

		2017 R	2016 R
14	INVESTMENT PROPERTY (Continued)		
	14.3 Operating Expenditure incurred on investment property:		
	Revenue Generating		
	Improved Property		
	Repairs and maintenance		3 510
	Other operating expenditure	3 840	
	Unimproved Property		
	Repairs and maintenance		
	Other operating expenditure		
	Non-revenue Generating		
	Improved Property		
	Repairs and maintenance		
	Other operating expenditure		
	Unimproved Property		
	Repairs and maintenance		
	Other operating expenditure		
		3 840	3 510
	14.4 Investment Property which is in the process of being constructed or developed:		
	There are no investment property in the process of being constructed or developed.		
	14.5 Investment Property that is taking a significantly longer period of time to complete than expected:		
	There are no investment property in the process of being constructed or developed.		
	14.6 Investment Property where construction or development has been halted:		
	There are no investment property in the process of being constructed or developed.		
15	INTANGIBLE ASSETS		
	15.1 Computer Software		
	Net Carrying amount at 1 July	283 209	422 338
	Cost	1 319 756	1 319 756
	Accumulated Amortisation	(1 036 547)	(897 418)
	Additions	258 871	-
	Amortisation	(120 696)	(139 129)
	Net Carrying amount at 30 June	421 384	263 209
	Cost	1 578 627	1 319 756
	Accumulated Amortisation	(1 157 243)	(1 036 547)
	The following intangible assets are included in the carrying value above:		
		Carrying Value	
		2017 R	2016 R
	<u>Description</u>		
	Microsoft Office and Windows Software	327 048	211 861
	Promun Software	6 488	14 488
	Unitrends Backup Software	48 860	-
	Town Planning Software	11 696	12 638
	OP&S Software	27 292	44 222
		421 384	263 209
	No intangible asset were assessed as having an indefinite useful life. There are no internally generated intangible assets at reporting date. There are no intangible assets whose title is restricted. There are no intangible assets pledged as security for liabilities. There are no contractual commitments for the acquisition of intangible assets.		
	15.2 Research and Development Costs:		
	The municipality did not incur research nor development cost.		
	15.3 Intangible Assets which is in the process of being constructed or developed:		
	There are no intangible assets being constructed or developed.		
	15.4 Intangible Assets that is taking a significantly longer period of time to complete than expected:		
	There are no intangible assets being constructed or developed.		
	15.5 Intangible Assets where construction or development has been halted:		
	There are no intangible assets being constructed or developed.		
16	INVENTORY		
	Maintenance Materials - At cost	1 419 578	1 303 462
	Water – at cost	287 128	238 571
	Provision for obsolete stock	(119 993)	(128 856)
	Total Inventory	1 586 711	1 413 177
	Provision for obsolete stock:		
	Maintenance materials not in use / unusable.	119 993	128 856
	Consumable stores materials written down due to losses as identified during the annual stores counts.	-	-
	Consumable stores materials surpluses identified during the annual stores counts.	-	-
	Inventory recognised as an expense during the year	1 155 906	2 195 594

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
17 RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Electricity	19 526 342	15 622 673
Previously disclosed		15 631 994
Prior year correction per note 36.9		(9 321)
Water	25 932 975	34 476 588
Previously disclosed		21 483 733
Prior year correction per note 36.7		12 992 855
Refuse	13 428 532	13 107 134
Klein Karoo Water scheme	5 526 402	5 262 027
Sewerage	14 670 153	14 673 343
Prepaid expenditure	25 124	1 150 031
Units not billed	6 120 894	4 841 497
Housing Rentals	589	755
Legal fees recovery	1 225 966	2 230 651
Previously disclosed		8 888 000
Prior year correction per note 36.8		(6 867 349)
Sundry municipal charges	6 210 621	5 652 169
Previously disclosed		5 679 341
Prior year correction per note 36.10		(27 172)
Other	25 953	1 910 689
Total Receivables from Exchange Transactions	92 693 653	96 927 537
Less: Allowance for impairment	(52 255 288)	(60 280 062)
Total Net Receivables from Exchange Transactions	40 438 364	36 647 474
Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary.		
Ageing of Receivables from Exchange Transactions:		
<u>(Electricity): Ageing</u>		
Current (0 - 30 days)	12 256 911	9 886 038
31 - 60 Days	471 752	262 859
61 - 90 Days	379 545	256 053
+ 90 Days	6 418 134	5 217 723
Total	19 526 342	15 622 673
<u>(Water): Ageing</u>		
Current (0 - 30 days)	5 805 883	4 556 930
31 - 60 Days	892 343	1 132 992
61 - 90 Days	858 311	1 064 072
+ 90 Days	18 376 437	27 692 574
Total	25 932 975	34 476 588
<u>(Refuse): Ageing</u>		
Current (0 - 30 days)	1 595 432	1 256 186
31 - 60 Days	339 414	217 828
61 - 90 Days	298 681	200 521
+ 90 Days	11 195 005	11 432 602
Total	13 428 532	13 107 134
<u>(Klein Karoo Water Scheme): Ageing</u>		
Current (0 - 30 days)	496 621	515 249
31 - 60 Days	300 729	134 034
61 - 90 Days	129 205	113 151
+ 90 Days	4 599 646	4 499 583
Total	5 526 402	5 262 027
<u>(Sewerage): Ageing</u>		
Current (0 - 30 days)	2 242 933	2 049 127
31 - 60 Days	379 542	277 426
61 - 90 Days	334 654	241 869
+ 90 Days	11 713 025	12 104 920
Total	14 670 153	14 673 343
<u>(Units not billed): Ageing</u>		
Current (0 - 30 days)	6 120 894	4 841 497
Total	6 120 894	4 841 497
<u>(Rent): Ageing</u>		
+ 90 Days	589	755
Total	589	755
<u>(Legal Fees Recovery): Ageing</u>		
+ 90 Days	1 225 966	2 230 651
Total	1 225 966	2 230 651

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

17

RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)

(Sundry municipal charges): Ageing

	2017 R	2016 R
Current (0 - 30 days)	1 125 810	871 441
31 - 60 Days	72 083	77 444
61 - 90 Days	82 266	66 111
+ 90 Days	4 930 483	4 637 173
Total	6 210 621	5 652 169

(Prepaid expenditure): Ageing

	2017 R	2016 R
Current (0 - 30 days)	25 124	1 150 031
Total	25 124	1 150 031

(Other): Ageing

	2017 R	2016 R
+ 90 Days	25 953	1 910 688
Total	25 953	1 910 688

(Total): Ageing

	2017 R	2016 R
Current (0 - 30 days)	29 669 707	25 126 499
31 - 60 Days	2 455 843	2 102 581
61 - 90 Days	2 082 683	1 971 777
+ 90 Days	58 485 440	69 726 680
Total	92 693 653	98 927 538

Reconciliation of Provision for Impairment

	2017 R	2016 R
Balance at beginning of year	60 280 062	55 184 475
Contribution to provision	3 028 597	39 553 723
Bad Debts Written Off	(11 053 371)	(34 438 136)
Balance at end of year	52 255 288	60 280 062

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

Summary of receivables from exchange transactions by Customer Classification

	Current (0 - 30 days)	31 - 60 Days	61 - 90 Days	+ 90 Days
as at 30 June 2017				
Residential	12 692 289	1 921 402	1 638 978	49 678 783
Business	7 215 245	177 807	117 330	2 103 731
Government	2 608 746	71 806	69 385	354 523
Other	7 153 426	284 827	257 969	6 348 404
Total receivables by customer classification	29 669 706	2 455 843	2 082 683	58 485 441
				92 693 653
as at 30 June 2016				
Residential	11 727 707	1 384 297	1 267 802	47 770 569
Business	5 210 312	99 077	72 243	2 119 639
Government	1 064 643	351 183	393 603	12 817 705
Other	7 123 845	268 029	238 194	6 918 749
Total receivables by customer classification	25 126 507	2 102 586	1 971 782	69 726 680
				98 927 538

Trade and other receivables past due but not impaired

The ageing of receivables from exchange transactions past due but not impaired is as follows:

Neither past due nor impaired

	2017 R	2016 R
Current (0-30 days)	20 376 162	14 927 615

Past due and not impaired

	2017 R	2016 R
1 month past due	2 456 712	1 817 204
2+ months past due	16 769 744	15 613 664
	39 902 616	32 358 483

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

18

RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2017 R	2016 R
Rates	17 736 747	16 606 208
Previously reported		16 494 075
Prior year correction per note 38.11		112 133
Other Receivables	16 068 280	16 081 773
Suspense Debtors	940 530	2 654 082
Traffic fines debtors	15 127 750	13 427 681
Total Receivables from Non-Exchange Transactions	33 805 027	32 687 981
Less: Allowance for Impairment	(21 056 375)	(22 080 758)
Total Net Receivables from Non-Exchange Transactions	12 748 652	10 607 223
Ageing of Receivables from Non-Exchange Transactions:		
<u>(Rates): Ageing</u>		
Current (0 - 30 days)	4 570 734	4 081 888
31 - 60 Days	409 270	340 099
61 - 90 Days	340 274	261 946
+ 90 Days	12 416 469	11 922 174
Total	17 736 747	16 606 208
Reconciliation of Provision for Impairment		
Balance at beginning of year	22 080 758	17 123 367
Contribution to provision	9 153 327	10 662 524
Bad Debts Written Off	(10 177 710)	(5 705 133)
Balance at end of year	21 056 375	22 080 758

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

There is a high risk that Traffic Fines related debtors are not recoverable. The municipality's historical experience in collection of these debtors are reflected in the provision for impairment. It is estimated that approximately 20% of fines will be recovered.

Summary of receivables from non-exchange transactions by Customer

Classification as at 30 June 2017	Current (0 - 30 days)	31 - 60 Days	61 - 90 Days	+ 90 Days
Residential	4 069 772	347 369	287 732	9 982 651
Business	170 980	6 555	5 913	265 343
Government	79 267	83	-	1 170 402
Other	942 625	1 342 764	1 080 818	14 052 753
Total receivables by customer classification	5 262 644	1 696 770	1 374 464	25 471 149
				33 805 027
as at 30 June 2016				
Residential	3 678 541	278 538	223 002	9 072 129
Business	155 103	13 293	3 025	156 261
Government	12 262	265	265	1 783 048
Other	1 068 832	1 399 544	1 168 615	13 675 159
Total receivables by customer classification	4 914 838	1 691 639	1 394 906	24 686 598
				32 687 981

Trade and other receivables past due but not impaired

The ageing of receivables from non exchange transactions past due but not impaired is as follows:

<u>Neither past due nor impaired</u>		
Current (0-30 days)	3 888 942	4 246 867
<u>Past due and not impaired</u>		
1 month past due	340 231	340 231
2+ months past due	8 519 478	6 020 125
	12 748 652	10 607 223

19

OPERATING LEASE ARRANGEMENTS

19.1 The Municipality as Lessor (Asset)

Balance on 1 July (restated)	32 067	61 292
Movement during the year	(23 885)	(29 225)
Balance previously reported		(29 440)
Prior year correction per note 36.16		215
Balance on 30 June	8 182	32 067
At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:		
Up to 1 Year	75 121	255 408
1 to 5 Years	67 417	135 034
Total Operating Lease Arrangements	142 537	390 443

This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.

The leases are in respect of land and buildings being leased out for several purposes.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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CASH AND CASH EQUIVALENTS

Assets

Call Investments Deposits	23 517 921	16 217 267
Primary Bank Account	5 013 568	3 394 554
Cash Floats	37 815	37 050
Accrued cash deposits	-	30 444
Total Cash and Cash Equivalents - Assets	28 569 304	19 679 315

Cash and cash equivalents comprises of cash held and short term deposits.

The municipality has the following bank accounts:

Current Accounts - Cash book balances

Standard Bank George-Account Number 082796068 / ABSA Bank-Account Number 4085827851 (Primary Bank Account)	3 173 173	1 128 583
Standard Bank George-Account Number 082795754 / ABSA Bank-Account Number 4085372149 (Primary Bank Account)	1 516 478	500 673
Standard Bank George-Account Number 082797048 / ABSA Bank-Account Number 4085866467 (Primary Bank Account - CAVES)	160 325	1 411 504
Standard Bank George-Account Number 082797331 / ABSA Bank-Account Number 4085866522 (KKLWS)	16 649	203 422
Standard Bank George-Account Number 082795428 / ABSA Bank-Account Number 4085866271 (Traffic Account)	148 944	150 393
	5 013 568	3 394 554
Cash book balance at beginning of year	3 394 554	(48 024 578)
Cash book balance at end of year	5 013 568	3 394 554

Current Accounts - Bank statement balances

Standard Bank George-Account Number 082796068 (Primary Bank Account)		112 080
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	-	-
Standard Bank George-Account Number 082795754 (Primary Bank Account)		(43 813)
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	-	-
Standard Bank George-Account Number 082797048 (Primary Bank Account - CAVES)		5 095
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	-	-
Standard Bank George-Account Number 082795428 (Traffic Account)		1 044
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	-	-
Standard Bank George-Account Number 082797331 (KKLWS)		26 617
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	-	-
ABSA Bank-Account Number 4085827851 (Primary Bank Account)		553 780
Bank statement balance at beginning of year	1 188 068	-
Bank statement balance at end of year	2 442 044	1 188 068
ABSA Bank-Account Number 4085372149 (Primary Bank Account)		50 000
Bank statement balance at beginning of year	50 000	-
Bank statement balance at end of year	50 000	50 000
ABSA Bank-Account Number 4085866467 (Primary Bank Account - CAVES)		94 844
Bank statement balance at beginning of year	1 411 504	-
Bank statement balance at end of year	151 764	1 411 504
ABSA Bank-Account Number 4085866522 (KKLWS)		5 132
Bank statement balance at beginning of year	209 965	-
Bank statement balance at end of year	7 707	209 965
ABSA Bank-Account Number 4085866271 (Traffic Account)		14 465
Bank statement balance at beginning of year	150 393	-
Bank statement balance at end of year	146 944	150 393

Call Investment Deposits

Call investment deposits consist out of the following accounts:

Nedbank Account nr 03 / 7881001143/ 129	4 250 561	3 520 532
Nedbank Account nr 03 / 7881019344 / 29	91 028	85 060
Nedbank Account nr 03 / 7881001143 / 130	536 077	500 832
Nedbank Account nr 03 / 7881001143 / 131	2 037 092	1 903 540
Nedbank Account nr 03 / 7881001143 / 137	2 145 136	-
Standard Account nr 288635379001	1 405 191	2 902 701
Standard Account nr 288635379002	1 493 261	2 000 000
Standard Account nr 288635379003	2 120 646	-
Standard Account nr 288635379005	2 082 121	-
Investec account nr 1400-171058 500	7 327 592	5 136 931
ABSA Account nr 2057657367	-	21 323
ABSA Account nr 2057657573	-	18 642
ABSA Account nr 2057657599	-	14 292
ABSA Account nr 2058958857	-	63 539
ABSA Account nr 2059299848	7 848	7 000
ABSA Account nr 2064485555	-	2 512
ABSA Account nr 2065374806	17 348	17 348
ABSA Account nr 2066465218	-	19 031
ABSA Account nr 55975057735	4 020	3 884
	23 517 921	16 217 267

The municipality is also exposed to a number of guarantees issued in favour of trade creditors. These guarantees are listed below

Guarantee held at ABSA Bank of South Africa in the favour of ESKOM

409 100	409 100
409 100	409 100

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

21

PROPERTY RATES

Actual

Rateable Land and Buildings

Property taxes
Previously disclosed
Prior year correction per note 36.1j

Less: Rebates

Total Assessment Rates

Valuations - 1 JULY 2012 (including interim adjustments)

Rateable Land and Buildings

Residential
Business & Commercial
Churches
Government
Pensioners
Other
Agricultural

Total Assessment Rates

independent valuations on land and buildings are performed periodically. The last valuation came into effect on 1 July 2012 with an interim valuation in June 2017.

Rates:

Residential
Government
Commercial
Agricultural

Rates are levied annually and monthly. Monthly rates are payable by the 10th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate on outstanding monthly rates.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

2017 R	2016 R
76 074 033	67 614 821
76 074 033	67 614 821
	67 502 688
	112 133
(5 088 712)	(4 913 228)
70 985 321	62 701 593
4 850 584 000	4 448 072 300
960 787 700	854 657 800
167 737 000	162 169 000
568 733 000	566 561 000
11 977 000	2 000 000
152 347 800	616 213 500
1 100 000 000	1 093 955 000
7 812 166 600	7 743 626 600

1.088c/R	0.984c/R
1.459c/R	1.320c/R
1.495c/R	1.352c/R
0.218c/R	0.127c/R

GOVERNMENT GRANTS AND SUBSIDIES

Unconditional Grants

Equitable Share
Water Affairs

Conditional Grants

Grants and donations
Previously disclosed
Prior year correction per note 36.1i

Total Government Grants and Subsidies

Government Grants and Subsidies - Capital
Government Grants and Subsidies - Operating
Previously disclosed
Prior year correction per note 36.1i

The municipality does not expect any significant changes to the level of grants.

58 194 000	54 372 477
58 194 000	54 372 477
-	-
53 210 755	39 775 027
53 210 755	39 775 027
	38 897 161
	(122 134)
111 404 755	94 147 504
38 180 678	25 212 659
73 224 078	68 934 846
	68 056 980
	(122 134)
111 404 756	94 147 505

22.1 Equitable share

Grants received
Grants repaid
Declared as income - Operating
Declared as income - Capital

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

57 848 000	54 372 477
345 000	-
(58 194 000)	(54 372 477)
-	-

22.2 Extended Public Works Program

Opening balance
Grants received
Conditions met - Operating
Conditions still to be met

Job creation projects in previous disadvantage areas.

-	-
2 448 000	1 405 000
(2 448 000)	(1 405 000)
-	-

22.3 Finance Management Grant

Opening balance
Grants repaid
Grants received
Conditions met - Operating
Conditions met - Capital
Conditions still to be met

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003.

100 000	-
(100 000)	-
1 475 000	1 450 000
(1 375 000)	(1 350 000)
(100 000)	-
-	100 000

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
22.4 Finance Management Support Grant		
Opening balance	1 663 902	325 000
Grants repaid	(250 000)	-
Grants received	1 120 000	2 460 680
Conditions met - Operating	(1 988 971)	(1 046 778)
Conditions met - Capital	(107 594)	-
Prior year correction per note 36.1k		(75 000)
Conditions still to be met	427 337	1 663 902
The Financial Management Support Grant was received from Provincial Treasury to assist with the implementation of Risk management and the procurement of software		
22.5 Electricity Demand Side Management Grants (EEDSM)		
Opening balance	927 802	-
Grants repaid	(47 000)	-
Grants received	-	3 000 000
Conditions met - Capital	(880 802)	(2 072 188)
Grant expenditure to be recovered		927 802
The EEDSM grant was received to implement energy efficient retrofits within the municipal infrastructure.		
22.6 Municipal Infrastructure Grant (MIG)		
Opening balance	5 408 815	-
Grants repaid	(198 000)	-
Grants received	20 756 000	24 198 000
Conditions met - Operating	(600 000)	-
Conditions met - Capital	(28 049 999)	(18 731 185)
Conditions still to be met	(2 685 184)	5 408 815
The grant was used to upgrade infrastructure in previously disadvantaged areas, paid by National Treasury.		
22.7 Library Services		
Opening balance	-	-
Grants received	4 944 795	4 222 000
Conditions met - Operating	(4 944 795)	(4 222 000)
Conditions still to be met	-	-
The grant is used to transform urban and rural community library infrastructure, facilities and services.		
22.8 DME Electrification New Housing Projects		
Opening balance	1 138 526	(4 105 181)
Grants received	8 000 000	8 000 000
Conditions met - Capital	(6 136 450)	(758 292)
Conditions still to be met	3 000 076	1 138 526
The National Electrification Grant was used for electrical connections in previously disadvantaged areas.		
22.9 Augmentation of Water Supply Grant		
Opening balance	1 900 000	-
Grants received	400 000	1 900 000
Conditions met - Operating	(400 000)	-
Conditions met - Capital	(29 432)	-
Conditions still to be met	1 870 568	1 900 000
The grant was received to identify new water sources for De Rust, equipped and connect to existing bulk water system to augment the supply.		
22.10 Supply for Drought Relief Interventions		
Opening balance	2 000 000	-
Grants received	-	2 000 000
Conditions met - Capital	(1 620 528)	-
Conditions still to be met	379 472	2 000 000
The grant was received to protect the revenue base of the municipality by ensuring water demands are met.		
22.11 Regional Bulk Infrastructure Grant - Department of Water Affairs and Forestry Grant		
Opening balance	1 613 986	(6 726 128)
Grants received	-	10 991 098
Conditions met - Capital	-	(2 650 984)
Conditions still to be met	1 613 986	1 613 986
The grant was given to assist with the water shortage in the area.		

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
22.12 Municipal Infrastructure Support Grant		
Opening balance	-	-
Grants received	-	1 000 000
Conditions met - Capital	-	(1 000 000)
Conditions still to be met	-	-
The grant was received to refurbish mechanical and electrical plant & equipment and appurtenant civil works at various process facilities of the new section of the sewage and waste water treatment works.		
22.13 Other Grants		
Opening balance	1 720 246	4 750 303
Grants received	5 362 255	4 335 197
Conditions met - Operating	(4 283 311)	(6 660 724)
Conditions met - Capital	(3 113 427)	-
Prior year correction per note 36.1c; 36.1i; 36.1l	-	(704 530)
Conditions still to be met	(294 237)	1 720 246
Various grants were received from other spheres of government (e.g. Library fund and Skills Development Grant).		
22.14 Total Grants		
Opening balance	16 469 278	(5 756 006)
Grants repaid	(268 136)	-
Grants received	102 355 050	117 274 452
Conditions met - Operating	(73 224 077)	(69 056 979)
Conditions met - Capital	(38 180 676)	(25 212 659)
Prior year correction per note 36.1c; 36.1i; 36.1l	-	(779 530)
Conditions still to be met/(Grant expenditure to be recovered)	7 153 437	16 469 278
<u>Disclosed as follows:</u>		
Unspent Conditional Government Grants and Receipts	9 838 621	16 783 914
Previously disclosed	-	17 634 367
Prior year correction per note 36.1c; 36.1l	-	(850 453)
Unpaid Conditional Government Grants and Receipts	(2 685 184)	(314 636)
Previously disclosed	-	(385 559)
Prior year correction per note 36.1l	-	70 923
	7 153 437	16 469 278
23 CONTRIBUTED/ DONATED PPE		
During the year ended 30 June 2017 the following assets were donated to the municipality.		
- Improvements to Cricket Clubhouse by South Western Districts Cricket	-	37 104
Previously disclosed	-	10 434
Prior year correction per note 36.1p	-	28 670
- Computer Equipment to C.J. Langerhoven Library by Western Cape Government through the SLA Mzansi Library Project	-	237 211
- Improvements to Fire Station by a municipal supplier	-	8 317
	-	282 632
24 SERVICE CHARGES		
Electricity	210 138 699	186 495 082
Service charge	214 478 235	194 431 686
Previously disclosed	-	194 438 712
Prior year correction per note 36.1j	-	(8 016)
Less: Rebates	(4 339 536)	(7 936 604)
Water	54 509 355	45 674 740
Service charge	63 083 762	55 803 703
Previously disclosed	-	52 110 530
Prior year correction per note 36.1j; 36.1f	-	3 693 173
Less: Rebates	(8 584 407)	(10 128 963)
Water Klein Karoo Rural Scheme	5 475 649	4 585 157
Service charge	5 475 649	4 585 157
Less: Rebates	-	-
Refuse removal	15 649 084	11 455 862
Service charge	21 237 601	18 567 942
Less: Rebates	(5 588 517)	(7 112 080)
Sewerage and Sanitation Charges	29 994 316	24 549 837
Service charge	35 618 187	31 536 062
Less: Rebates	(5 624 871)	(6 986 225)
Total Service Charges	315 767 104	272 760 689
Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.		

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
25 OTHER INCOME		
Advertising Fees	57 881	60 398
Airport landings	3 917	7 601
Cango Mountain Resort	1 232 905	1 193 332
Cemeteries	769 014	902 644
Electricity sundries	565 476	371 371
Infrastructure levies	250 003	108 187
Legal fees recovered	1 098 057	688 630
Previously disclosed		613 630
Prior year correction per note 36.1k		75 000
Libraries	40 683	45 405
Parking Fees	84 561	100 111
Photostats and faxes	32 074	17 414
Rezoning Fees	34 802	10 842
Sportgrounds and swimming pools	180 206	190 756
Stock adjustments	44 496	
Sundries	1 850 195	4 072 784
Previously disclosed		4 096 152
Prior year correction per note 36.1j		(23 368)
Townplanning	95 048	97 720
Traffic	329 533	270 941
Valuation certificates	113 535	104 949
Water sundries	727 420	608 580
Total Other Income	7 507 824	8 851 646

Sundry income represents sundry income such as building plans, sale of sundry items and fees for items not included under service charges (camping, fire brigade and impounding fees).

26 EMPLOYEE RELATED COSTS		
Acting Allowance	520 524	821 533
Bargaining Allowance	83 866	77 870
Bonuses	7 329 739	7 850 435
Contribution to Long Service awards	1 309 867	1 007 647
Contribution to Post Employment Medical	11 222 224	10 888 364
Contributions to Group Insurance	1 885 027	1 878 549
Contributions to Medical Aid	10 588 272	10 227 953
Contributions to Pension	17 875 884	15 830 765
Contributions to UIF	1 101 499	1 105 518
Contributions to Workman's Compensation	190 065	1 278 746
Housing Benefits and Allowance	1 636 097	1 797 586
Leave payments	(849 497)	3 287 242
Previously reported		3 488 344
Prior year correction per note 36.1m		(201 102)
Other Allowance	820 070	3 832 125
Overtime payments	10 765 764	10 147 985
Salaries and Wages	110 330 031	112 850 442
Shift Allowance	293 802	334 948
Skills Development	1 427 603	1 400 393
Standby Allowance	1 414 085	1 610 109
Telephone Allowance	61 334	71 340
Travelling Allowance	3 727 333	3 812 285
Total Employee Related Costs	181 733 467	190 111 816

KEY MANAGEMENT PERSONNEL

Municipal Manager is appointed on a 5-year fixed contract.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

All of directors positions have been filled during the financial year.

	Total	Total
Remuneration of the Municipal Manager		
Annual Remuneration	649 035	254 808
Car Allowance	249 889	42 000
Other Allowance	70 494	-
Telephone allowance	35 000	2 805
Acting allowance	-	87 364
Housing allowance	-	18 000
Contributions to UIF, Medical, Pension Funds and Bargaining Council	167 592	11 124
Other	-	4 072
Total	1 172 019	420 173

Mr Allan Paulse fills the position of Municipal Manager since he was appointed on 1 December 2016. In the prior year the position was not filled for the full 12 months.

	Total	Total
Remuneration of the Director Financial Services		
Annual Remuneration	632 677	325 289
Car Allowance	190 905	-
Other Allowance	65 855	-
Telephone allowance	35 000	-
Contributions to UIF, Medical, Pension Funds and Bargaining Council	37 167	5 891
Other	-	3 287
Total	961 604	334 457

Mr Felix Lötter fills the position of Director Finance Services since he was appointed on 1 November 2016. In the prior year the position was not filled for the full 12 months.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
Total	Total	
<i>Remuneration of the Director Corporate Services</i>		
Annual Remuneration	576 556	700 556
Car Allowance	11 168	32 819
Other Allowance	84 208	-
Housing Allowance	-	2 100
Telephone Allowance	28 000	-
Acting allowance	58 738	69 097
Settlement lump sum	-	427 772
Contributions to UIF, Medical, Pension Funds and Bargaining Council	70 998	51 014
Other	-	8 155
Total	809 666	1 291 513

Mr Reginald Smit fills the Position of Director Corporate Services since he was appointed on 7 November 2018.

	Total	Total
<i>Remuneration of the Director Infrastructure and Technical Services</i>		
Annual Remuneration	250 455	-
Car Allowance	10 931	-
Other Allowance	24 147	-
Telephone allowance	7 000	-
Contributions to UIF, Medical, Pension Funds and Bargaining Council	3 113	-
Total	295 645	-

Mr Chris Koch fills the position of Director Infrastructure and Technical Services since he was appointed on 3 April 2017.

	Total	Total
<i>Remuneration of the Director Community Services</i>		
Annual Remuneration	934 784	875 919
Car Allowance	24 896	150 708
Other Allowance	43 549	-
Telephone allowance	31 500	8 415
Acting allowance	-	103 021
Housing allowance	-	56 100
Contributions to UIF, Medical, Pension Funds and Bargaining Council	25 315	64 301
Other	-	11 951
Total	1 060 124	1 270 415

Mr Thomas Matthee fills the position of Director Community Services since he was appointed on 23 January 2017.

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REMUNERATION OF COUNCILLORS

Salaries	8 081 593	4 849 822
Pension	433 664	65 240
Travelling Allowance	2 061 461	1 457 053
Telephone Allowance	735 605	366 740
Medical Scheme	115 453	134 930
Skills Development Levy	76 076	68 639
Total Councillors' Remuneration	9 483 852	6 742 224

Disclosure of councillors remuneration for the year ended 30 June 2017:

	Basic	Pension and Medical	Travel Allowance	Telephone Allowance	Total
Sylvester, CF Mayor	415 041	92 825	171 859	2 968	682 693
Mwat, N Deputy Mayor	368 086	37 634	137 488	23 690	566 897
Leroux-Krowitz, J Speaker	388 068	43 602	143 357	25 800	600 827
Fourie, DJ Mayoral Committee Member	342 845	56 556	134 765	25 800	559 966
Fortuin, E Mayoral Committee Member	487 823	32 525	15 436	21 400	557 183
Kersop, GJ Mayoral Committee Member	377 444	24 394	134 785	25 800	562 402
Ruiters, H Mayoral Committee Member	359 835	24 394	128 885	23 690	536 804
Luiters, P Mayoral Committee Member	377 444	24 394	134 765	25 800	562 402
Former Mayoral Committee Members	113 054	8 782	27 459	4 453	153 748
Titus, M Councillor	145 583	30 872	59 936	25 800	262 162
Wagenaar, LPO Councillor	168 557	9 853	59 936	25 800	264 146
Wildschut, RR Councillor	168 557	9 853	59 936	25 800	264 146
Donson, VM Councillor	179 809	-	59 218	25 800	264 825
Magopeni, N Councillor	115 476	44 224	53 583	1 810	214 894
Juthie, HG Councillor	162 201	-	54 067	5 007	221 274
Floors, JE Councillor	135 274	26 225	54 067	23 680	239 246
Tyalie, JH Councillor	150 947	9 853	54 067	23 680	238 547
Lambaattjeen, JC Councillor	150 948	9 853	54 067	5 007	219 875
Stone, LS Councillor	150 948	9 853	54 067	23 680	238 548
Botha, H Councillor	150 948	9 853	54 067	23 680	238 548
Arries, A Councillor	43 656	-	14 552	6 105	64 312
Windvogel, K Councillor	162 201	-	54 067	5 007	221 274
Human, H Councillor	150 948	9 853	54 067	23 680	238 548
Cobus, CL Councillor	147 814	13 227	54 067	13 163	228 271
Soman, N Councillor	197 208	13 138	4 056	23 680	238 082
Maaman, DR Councillor	162 201	-	54 067	23 680	239 947
Owen, BV Councillor	111 450	4 134	40 171	17 396	173 151
Ayford, J Councillor	24 817	-	7 067	2 584	34 468
Former Councillors	151 060	3 220	36 161	12 834	203 375
	6 060 214	549 116	1 964 073	517 150	9 090 553

Other expense related to councillors:

Skills Development Levy	76 076
Subsistence and travel	97 388
Council telephone expense	219 834
Total	9 483 852

In-kind Benefits

The Executive Mayor, Mayoral Committee members and the Speaker are full-time councillors. The Mayor, Mayoral Committee members and the Speaker are provided with secretarial support and an office at the cost of the Council.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
28 DEBT IMPAIRMENT		
Trade Receivables from exchange transactions - Note 17	3 028 597	39 553 723
Trade Receivables from non-exchange transactions - Note 18	9 153 327	10 662 524
Other bad debt written off	1 890	-
Total Contribution to Debt Impairment	12 183 814	50 216 247
29 DEPRECIATION AND AMORTISATION		
Property Plant and Equipment	18 164 666	18 150 825
Previously reported		18 300 398
Prior year correction per note 36.1p; 36.1s; 36.1t; 36.1u		(149 573)
Investment Property	259 640	303 314
Intangible Assets	120 696	139 130
Capitalized Restoration Cost	502 729	502 729
	19 047 731	19 095 998
30 IMPAIRMENTS		
Property Plant & Equipment		
Investment Property	877 011	12 199 143
	877 011	12 199 143
31 REPAIRS AND MAINTENANCE		
Repairs and maintenance according to asset class:		
Community Assets	314 074	370 467
Infrastructure	9 012 637	4 069 214
Land and Buildings	1 180 437	1 046 541
Other Assets	4 772 158	3 212 980
	15 279 306	8 699 202
Repairs and maintenance according to nature:		
Contracted Services	1 154 070	1 567 988
Employee related costs	2 440 552	541 062
Other Expenditure	6 575 995	1 269 697
Other materials	5 108 689	5 320 435
	15 279 306	8 699 202
32 FINANCE CHARGES		
Long-term Liabilities	8 747 903	14 939 791
Previously reported		15 296 016
Prior year correction per note 36.1a; 36.1d		(356 225)
Finance leases	337 935	49 661
Landfill site restoration contribution	7 006 984	1 866 996
Alien Vegetation contribution		-
Previously reported		697 763
Prior year correction per note 36.1z		(697 763)
Other	78	10 869
Total finance charges	16 082 690	16 867 337
33 BULK PURCHASES		
Electricity bulk	143 711 703	136 926 643
Water bulk	2 900 966	3 006 693
	146 612 669	141 933 336
34 CONTRACTED SERVICES		
Cleaning services	323 720	283 105
Computer and software licensing	1 671 414	1 530 926
Landfill services	1 454 405	1 486 359
Leases and rentals	10 140 098	10 858 142
Previously reported		10 799 432
Prior year correction per note 36.1e		58 710
Other	1 368 117	1 746 024
Professional Services	5 181 721	3 507 552
Previously reported		3 746 952
Prior year correction per note 36.1o		(239 400)
Security Services	2 443 107	4 329 529
Service Contracts	642 193	608 972
Training		93 839
	23 204 775	24 454 449

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
35 GENERAL EXPENSES		
Advertisements	749 360	535 369
Audit Fees	5 028 672	5 769 178
Bank Charges	2 276 248	2 173 559
Calendar events	33 359	41 010
Chemicals	553 413	475 264
Previously reported		479 975
Prior year correction per note 36.1x		(4 711)
Commission paid	2 749 103	2 955 289
Electricity	198 694	33 847
Fuel Cost	4 301 356	4 332 315
Housing	2 124 582	2 086 272
Indigent Burials	513 268	505 278
Insurance	1 639 106	1 329 140
Inventory Items	854 740	311 270
Legal Cost	5 029 665	2 722 832
Licence Fees	220 542	217 676
Membership Fees	2 251 727	1 610 340
Penalties		5 435
Performance Management	474 894	
Postage	919 057	530 388
Printing and stationery	1 274 956	407 797
Professional Fees	865 098	3 206 446
Project Expenditure	457 458	860 848
Safety clothes	149 485	423 509
Speed camera fees	800 389	278 176
Sport Development	102 484	29 889
Telephone	2 386 975	2 174 856
Tools and Equipment	82 878	57 317
Tourism	501 000	512 000
Training	1 308 207	884 368
Travel and subsistence	1 234 051	938 705
Ward Committee Functionality	188 302	250 000
Water	3 220 955	2 960 347
Other	2 844 265	4 105 573
	45 334 268	42 524 294

36 CORRECTION OF ERROR IN TERMS OF GRAP 3

Prior year adjustments due to non-compliance with Accounting policy and errors

- 36.1**
- a) Correction of error on prior year Legal Fees payable, due to the following reason: A court order was received to pay a supplier relating to legal fees incurred during the 2014/2015 financial year. This claim was not provided as a liability previously. This is now corrected with the following entries: (Dt) Accumulated Surplus R1,739,567; (Cr) Payables from exchange transactions R1,739,567 (Prior year: (Dt) Accumulated Surplus R1,595,933; (Dt) Finance charges R143,634; (Cr) Payables from exchange transactions R1,739,567).
 - b) Correction of error on prior year Long-term liabilities, due to the following reason: Agreements were made with some suppliers for paying their accounts in instalments. Some of these agreements are interest-bearing and for periods longer than 12 months. These were disclosed as current payables and should be disclosed as long-term liabilities. This is now corrected with the following entries: (Dt) Payables from exchange transactions R38,983,139; (Cr) Long-term liabilities - Agreements R38,983,139 (Prior year: (Dt) Payables from exchange transactions R38,983,139; (Cr) Long-term liabilities - Agreements R38,983,139).
 - c) Correction of error on prior year Unspent Conditional Government Grants and Receipts, due to the following reason: There were no movement on certain grants during the past three years and no repayment terms are applicable. This indicates that these grants was not unspent. Thus these grants are reversed. This is now corrected with the following entries: (Dt) Unspent Conditional Government Grants and Receipts R160,570; (Cr) Accumulated Surplus R160,570 (Prior year: (Dt) Unspent Conditional Government Grants and Receipts R160,570; (Cr) Accumulated Surplus R160,570).
 - d) Correction of error on prior year Payables from exchange transactions, due to the following reason: Interest were provided on supplier accounts for the whole term of repayment according to agreements arranged with the suppliers. The interest should have been provided over the term of repayment and not up front. This is now corrected with the following entries: (Dt) Payables from exchange transactions R499,859; (Cr) Accumulated Surplus R499,859 (Prior year: (Dt) Payables from exchange transactions R499,859; (Cr) Finance charges R499,859).
 - e) Correction of error on prior year Payables from exchange transactions, due to the following reason: Certain expenditure was paid during the current year which relates to expenditure incurred in the prior year. These were not provided as payables previously. This is now corrected with the following entries: (Dt) Accumulated Surplus R414,235; (Dt) Taxes R49,774 (Cr) Payables from exchange transactions R464,009 (Prior year: (Dt) General expenses R310,748; (Dt) Contracted Services R58,710; (Dt) Repairs and maintenance R44,777 (Dt) Taxes R49,774 (Cr) Payables from exchange transactions R464,009).
 - f) Correction of error on prior year Receivables from Exchange Transactions, due to the following reason: Water meters for the SANDF and SAPS were not billed previously in error. This is now corrected with the following entries: (Dt) Receivables from exchange transactions R12,893,741; (Cr) Accumulated surplus R12,893,741; (Prior year: (Dt) Receivables from exchange transactions R12,893,741 (Cr) Service charges R3,435,796; (Cr) Accumulated surplus R9,257,945).
 - g) Correction of error on prior year Payables from exchange transactions, due to the following reason: A provision was previously made for an amount payable of R2,148,531 and was carried forward year on year. No such payment was ever made and no support could be found to identify this creditor. It was subsequently decided to write this provision back. This is now corrected with the following entries: (Dt) Payables from exchange transactions R2,148,531; (Cr) Accumulated Surplus R2,148,531 (Prior year: (Dt) Payables from exchange transactions R2,148,531; (Cr) Accumulated Surplus R2,148,531).
 - h) Correction of error on prior year Receivables from Exchange Transactions, due to the following reason: Previously a recovery of legal fees was charged against councillors' debtors accounts. It was recently found that the Municipality had no claim against these councillors and a much reduced claim against former councillor Nel. This is now corrected with the following entries: (Dt) Accumulated surplus R7,385,317; (Cr) Receivables from exchange transactions R7,385,317; (Prior year: (Dt) Accumulated surplus R6,826,682; (Dt) Interest earned - Outstanding debtors R538,625 (Cr) Receivables from exchange transactions R7,385,317).

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

36

CORRECTION OF ERROR IN TERMS OF GRAP 3 (Continued)

2017
R

2016
R

- j) Correction of error on prior year Unspent Conditional Government Grants and Receipts, due to the following reason: Incentives received from CHIETA and SETA were previously allocated to Unspent Conditional Government Grants in error. This is now corrected with the following entries: (Dt) Unspent Conditional Government Grants and Receipts R614,883; (Cr) Accumulated Surplus R614,883 (Prior year: (Dt) Unspent Conditional Government Grants and Receipts R614,883; (Dt) Transfer revenue - Operating R122,134; (Cr) Accumulated Surplus R219,820; (Cr) Incentives received R517,197).
- jj) Correction of error on prior year Receivables, due to the following reason: Incorrect billings on prior year debtors accounts were detected during the year. This is now corrected with the following entries: (Dt) Receivables from exchange transactions R262,601; (Dt) Receivables from non-exchange transactions R112,133; (Cr) Taxes R36,809; (Cr) Accumulated surplus R338,125 (Prior year: (Dt) Receivables from exchange transactions R262,601; (Dt) Receivables from non-exchange transactions R112,133; (Cr) Taxes R36,809; (Cr) Service charges R225,992 (Cr) Property taxes R112,133).
- k) Correction of error on prior year Unspent Conditional Government Grants and Receipts, due to the following reason: Previously a receipt for own Income was allocated to the Financial Management Support Grant in error. This is now corrected with the following entries: (Dt) Unspent Conditional Government Grants and Receipts R75,000; (Cr) Accumulated Surplus R75,000 (Prior year: (Dt) Unspent Conditional Government Grants and Receipts R75,000; (Cr) Other Income R75,000).
- l) Correction of error on prior year Unpaid Conditional Government Grants and Receipts, due to the following reason: Expenditure was incorrectly allocated to Unpaid Conditional Grants and Receipts i.s.o. Repairs and Maintenance expenditure. This is now corrected with the following entries: (Dt) Accumulated Surplus R70,923; (Cr) Unpaid Conditional Government Grants and Receipts R70,923 (Prior year: (Dt) Accumulated Surplus R70,923; (Cr) Repairs and Maintenance R70,923).
- m) Correction of error on prior year Current Employee Benefits, due to the following reason: The calculation for Provision for Leave pay was not limited to 48 leave days per employee as per policy. This is now corrected with the following entries: (Dt) Current Employee Benefits R201,102; (Cr) Accumulated Surplus R201,102; (Prior year: (Dt) Current Employee Benefits R201,102; (Cr) Employee Related Cost R201,102).
- n) Correction of error on prior year Taxes, due to the following reason: A creditor was provided for in duplicate, but was later reversed. The VAT on this transaction was not reversed. This is now corrected with the following entries: (Dt) Taxes R423,989; (Cr) Accumulated Surplus R423,989; (Prior year: (Dt) Taxes R423,989; (Cr) Repairs and maintenance R423,989).
- o) Correction of error on prior year Payables from exchange transactions, due to the following reason: A credit note from a supplier was accounted for in the current year, but was issued in the prior year. This is now corrected with the following entries: (Dt) Payables from exchange transactions R239,400; (Cr) Accumulated Surplus R239,400; (Prior year: (Dt) Payables from exchange transactions R239,400; (Cr) Contracted services R239,400).
- p) Correction of error on prior year Property, Plant and Equipment, due to the following reason: Donated assets was received in the prior year, but only captured in the current year and also no depreciation was provided. This is now corrected with the following entries: (Dt) Property, Plant and Equipment R26,670; (Dt) Accumulated Surplus R503; (Cr) Accumulated Surplus R26,670; (Cr) Property, Plant and Equipment R503 (Prior year: (Dt) Property, Plant and Equipment R26,670; (Dt) Depreciation R503; (Cr) Contributed/donated PPE R26,670; (Cr) Property, Plant and Equipment R503).
- q) Correction of error on prior year Property, Plant and Equipment, due to the following reason: Cost on vacant land incurred in the prior year were allocated to Investment property in error. This is now corrected with the following entries: (Dt) Property, Plant and Equipment R1,390,151; (Cr) Investment Property R1,390,151 (Prior year: (Dt) Property, Plant and Equipment R1,390,151; (Cr) Investment Property R1,390,151).
- r) Correction of error on prior year Property, Plant and Equipment, due to the following reason: VAT was not claimed on a retention fee. This is now corrected with the following entries: (Dt) Taxes R17,607; (Cr) Property, Plant and Equipment R17,607 (Prior year: (Dt) Taxes R17,607; (Cr) Property, Plant and Equipment R17,607).
- s) Correction of error on prior year Property, Plant and Equipment, due to the following reason: Certain assets were duplicated on the Fixed Asset Register in prior years. This is now corrected with the following entries: (Dt) Property, Plant and Equipment R208,887; (Dt) Accumulated Surplus R51,282; (Cr) Property, Plant and Equipment R236,330; (Cr) Accumulated Surplus R23,838 (Prior year: (Dt) Property, Plant and Equipment R208,887; (Dt) Accumulated Surplus R51,282; (Cr) Property, Plant and Equipment R236,330; (Cr) Depreciation R23,838).
- t) Correction of error on prior year Property, Plant and Equipment, due to the following reason: Certain items were previously recognised as fixed assets which do not fit the definition of an asset. This is now corrected with the following entries: (Dt) Property, Plant and Equipment R3,749; (Dt) Accumulated Surplus R58,117; (Cr) Property, Plant and Equipment R58,117; (Cr) Accumulated Surplus R3,749 (Prior year: (Dt) Property, Plant and Equipment R3,749; (Dt) Accumulated Surplus R58,117; (Cr) Property, Plant and Equipment R58,117; (Cr) Depreciation R581 (Cr) Accumulated Surplus R3,168).
- u) Correction of error on prior year Property, Plant and Equipment, due to the following reason: As part of the annual asset verification the useful lives of assets which have come to the end of its useful life are reassessed. It was found that certain items will still be used for a period longer than previously expected and thus their initial useful lives were found to be incorrect. This is now corrected with the following entries: (Dt) Property, Plant and Equipment R1,058,348; (Cr) Accumulated Surplus R1,058,348 (Prior year: (Dt) Property, Plant and Equipment R1,058,348; (Cr) Depreciation R125,657; (Cr) Accumulated Surplus R932,691).
- v) Correction of error on prior year Operating Lease Asset, due to the following reason: Two operating leases were not included on the calculation to straight-line leases. This is now corrected with the following entries: (Dt) Operating Lease Asset R215; (Cr) Accumulated Surplus R215; (Prior year: (Dt) Operating Lease Asset R215; (Cr) Rental of facilities and equipment R215).
- w) Correction of error on prior year Employee Benefits, due to the following reason: Previously the contribution ratio of 60% was used in the calculation of Post Employment Benefits when the correct ratio was 70%. This is now corrected with the following entries: (Dt) Accumulated Surplus R15,903,251; (Cr) Accumulated Surplus R379,584; (Cr) Employee Benefits R15,523,667 (Prior year: (Dt) Accumulated Surplus R14,480,262; (Dt) Employee Related Cost R1,835,041; (Dt) Actuarial Losses R487,948; (Cr) Employee Related Cost R379,584; (Cr) Employee Benefits R15,523,667).
- x) Correction of error on prior year Payables from Exchange Transactions, due to the following reason: A credit note for the prior year was recorded in the current year in error. This is now corrected with the following entries: (Dt) Payables from Exchange Transactions R7,678; (Cr) Accumulated Surplus R6,510; (Cr) Taxes R1,168 (Prior year: (Dt) Payables from Exchange Transactions R7,678; (Cr) Taxes R1,168; (Cr) Repairs and Maintenance R1,798; (Cr) General Expenses R4,711).

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

36

CORRECTION OF ERROR IN TERMS OF GRAP 3 (Continued)

- y) Correction of error on prior year Payables from Exchange Transactions, due to the following reason: A creditor was provided in 2014/2015 based on a quote. This was never invoiced and thus the payable did not exist. This is now corrected with the following entries: (Dt) Payables from Exchange Transactions R2,288,665; (Cr) Accumulated Surplus R2,007,601; (Cr) Taxes R281,064 (Prior year: (Dt) Payables from Exchange Transactions R2,288,665; (Cr) Accumulated Surplus R2,007,601; (Cr) Taxes R281,064).
- z) Correction of error on prior year Provisions, due to the following reason: The Municipality was previously advised that a provision to clear alien vegetation must be made. As there is no legal obligation for the municipality to clear alien vegetation nor any published policy to do so, this provision is not valid. This is now corrected with the following entries: (Dt) Provisions R11,773,372; (Cr) Accumulated Surplus R11,773,372; (Prior year: (Dt) Provisions R11,773,372; (Cr) Accumulated Surplus R11,075,609; (Cr) Finance Charges R697,763).
- aa) Correction of error on prior year Receivables from exchange transactions, due to the following reason: During 2013/2014 certain councillors brought urgent proceedings against the then Speaker. The Cape High Court subsequently ruled against the councillors and ordered they repay the costs incurred by the Municipality. This debt has never been provided for. This is now corrected with the following entries: (Dt) Receivables from exchange transactions R697,968; (Cr) Accumulated Surplus R697,968; (Prior year: (Dt) Receivables from exchange transactions R697,968; (Cr) Accumulated Surplus R697,968).
- iii) Correction of error on prior year Current Employee Benefits, due to the following reason: The Categorisation and Job Evaluation Wage Curves Collective Agreement became effective on 1 July 2010. Hereby all employees (excluding Municipal Manager, Section 57 Managers and contractual employees) are to receive new wage rates as a result of their jobs being evaluated as per the TASK Job Evaluation System and published by SALGBC. Qualifying employees will receive back pay as from 1 October 2009 as per clause 7.2.6 of the Collective Agreement. A provision was made to refund these employees. This provision was however over provided at that time. This is now corrected with the following entries: (Dt) Current Employee Benefits R583,600; (Cr) Accumulated Surplus R583,600; (Prior year: (Dt) Current Employee Benefits R583,600; (Cr) Accumulated Surplus R583,600).

36.2 Accumulated Surplus

Balance previously reported

Correction on Payables from exchange transactions - see note 36.1.a
Correction on Payables from exchange transactions - see note 36.1.b
Correction on Long-term liabilities - see note 36.1.b
Correction on Unspent Conditional Government Grants and Receipts - see note 36.1.c
Correction on Payables from exchange transactions - see note 36.1.d
Correction on Payables from exchange transactions - see note 36.1.e
Correction on Taxes - see note 36.1.e
Correction on Receivables from exchange transactions - see note 36.1.f
Correction on Payables from exchange transactions - see note 36.1.g
Correction on Receivables from exchange transactions - see note 36.1.h
Correction on Unspent Conditional Government Grants and Receipts - see note 36.1.i
Correction on Receivables from exchange transactions - see note 36.1.j
Correction on Receivables from non-exchange transactions - see note 36.1.j
Correction on Taxes - see note 36.1.j
Correction on Unspent Conditional Government Grants and Receipts - see note 36.1.k
Correction on Unpaid Conditional Government Grants and Receipts - see note 36.1.l
Correction on Current Employee Benefits - see note 36.1.m
Correction on Taxes - see note 36.1.n
Correction on Payables from exchange transactions - see note 36.1.o
Correction on Property, Plant and Equipment - see note 36.1.p
Correction on Property, Plant and Equipment - see note 36.1.q
Correction on Investment Property - see note 36.1.q
Correction on Property, Plant and Equipment - see note 36.1.r
Correction on Taxes - see note 36.1.r
Correction on Property, Plant and Equipment - see note 36.1.s
Correction on Property, Plant and Equipment - see note 36.1.t
Correction on Property, Plant and Equipment - see note 36.1.u
Correction on Operating Lease Asset - see note 36.1.v
Correction on Employee Benefits - see note 36.1.w
Correction on Payables from Exchange Transactions - see note 36.1.x
Correction on Taxes - see note 36.1.x
Correction on Payables from Exchange Transactions - see note 36.1.y
Correction on Taxes - see note 36.1.y
Correction on Provisions - see note 36.1.z
Correction on Receivables from exchange transactions - see note 36.1.aa
Correction on Current Employee Benefits - see note 36.1.ab

Restated balance

36.3 Payables from exchange transaction

Balance previously reported

Correction of error - see note 36.1.a
Correction of error - see note 36.1.b
Correction of error - see note 36.1.d
Correction of error - see note 36.1.e
Correction of error - see note 36.1.g
Correction of error - see note 36.1.o
Correction of error - see note 36.1.x
Correction of error - see note 36.1.y

Restated balance

36.4 Long-term liabilities - Agreements

Balance previously reported

Correction of error - see note 36.1.b

Restated balance

2017
R

2016
R

Year of adjustment	
2016	2015 and prior
R	R
(42 335 287)	453 475 219
3 278 243	5 075 217
(143 634)	(1 595 933)
38 983 139	-
(38 983 139)	-
-	160 570
499 859	-
(464 009)	-
49 774	-
3 435 796	9 257 945
-	2 148 531
(538 625)	(6 826 692)
395 063	219 820
262 801	-
112 133	-
(36 609)	-
75 000	-
(70 923)	-
201 102	-
423 989	-
239 400	-
28 167	-
1 390 151	-
(1 390 151)	-
(17 607)	-
17 607	-
23 838	(51 282)
581	(54 848)
125 657	932 691
215	-
(2 043 405)	(13 480 262)
7 678	-
(1 168)	-
-	2 288 665
-	(281 064)
697 763	11 075 609
-	697 968
-	583 600
(39 057 044)	456 550 436
	419 493 393
	(88 995 662)
	(1 739 567)
	38 983 139
	499 859
	(464 009)
	2 148 531
	239 400
	7 678
	2 288 665
	(47 031 956)
	(14 250 617)
	(38 983 139)
	(53 233 756)

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
36 CORRECTION OF ERROR IN TERMS OF GRAP 3 (Continued)		
36.5 Unspent Conditional Government Grants and Receipts		
Balance previously reported		(17 634 367)
Correction of error - see note 36.1.o		160 570
Correction of error - see note 36.1.i		614 863
Correction of error - see note 36.1.k		75 000
Restated balance		<u>(16 783 814)</u>
36.6 Taxes		
Balance previously reported		(7 078 850)
Correction of error - see note 36.1.e		49 774
Correction of error - see note 36.1.j		(36 809)
Correction of error - see note 36.1.n		423 989
Correction of error - see note 36.1.r		17 607
Correction of error - see note 36.1.x		(1 168)
Correction of error - see note 36.1.y		(281 064)
Restated balance		<u>(6 906 321)</u>
36.7 Receivables from exchange transactions - Water		
Balance previously reported		21 483 733
Correction of error - see note 36.1.f		12 693 741
Correction of error - see note 36.1.j		299 094
Restated balance		<u>34 476 568</u>
36.8 Receivables from exchange transactions - Legal fees recovery		
Balance previously reported		8 898 000
Correction of error - see note 36.1.h		(7 365 317)
Correction of error - see note 36.1.aa		697 968
Restated balance		<u>2 230 651</u>
36.9 Receivables from exchange transactions - Electricity		
Balance previously reported		15 631 994
Correction of error - see note 36.1.j		(9 321)
Restated balance		<u>15 622 673</u>
36.10 Receivables from exchange transactions - Sundry municipal charges		
Balance previously reported		5 679 341
Correction of error - see note 36.1.j		(27 172)
Restated balance		<u>5 652 169</u>
36.11 Receivables from non-exchange transactions - Rates		
Balance previously reported		16 494 075
Correction of error - see note 36.1.j		112 133
Restated balance		<u>16 606 208</u>
36.12 Unpaid Conditional Government Grants and Receipts		
Balance previously reported		385 559
Correction of error - see note 36.1.i		(70 923)
Restated balance		<u>314 636</u>
36.13 Current Employee Benefits - Staff leave		
Balance previously reported		(10 910 680)
Correction of error - see note 36.1.m		201 102
		<u>(10 709 578)</u>
36.14 Property, Plant and Equipment		
Balance previously reported		651 785 078
Correction of error - see note 36.1.p		26 670
Correction of error - see note 36.1.p		(503)
Correction of error - see note 36.1.q		1 390 151
Correction of error - see note 36.1.r		(17 807)
Correction of error - see note 36.1.s		(27 444)
Correction of error - see note 36.1.t		(54 368)
Correction of error - see note 36.1.u		1 058 348
		<u>654 180 325</u>
36.15 Investment Property		
Balance previously reported		65 860 648
Correction of error - see note 36.1.q		(1 390 151)
		<u>64 470 497</u>
36.16 Operating Lease Asset		
Balance previously reported		31 852
Correction of error - see note 36.1.v		215
		<u>32 067</u>

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
36	CORRECTION OF ERROR IN TERMS OF GRAP 3 (Continued)	
36.17	Employee benefits - Post Retirement Benefits	
	Balance previously reported	(93 142 006)
	Correction of error - see note 36.1.w	(15 523 867)
		<u>(108 665 873)</u>
36.18	Provisions - Alien Vegetation	
	Balance previously reported	(11 773 372)
	Correction of error - see note 36.1.z	11 773 372
		<u>-</u>
36.19	Current Employee Benefits - TASK Evaluation	
	Balance previously reported	(583 800)
	Correction of error - see note 36.1.ab	583 600
		<u>-</u>
37	RECONCILIATION BETWEEN NET DEFICIT FOR THE YEAR AND CASH GENERATED/(UTILISED) BY OPERATIONS	
	Surplus/(Deficit) for the year	92 050 824 (39 057 045)
	<u>Adjustments for:</u>	
	Depreciation	18 927 037 18 956 869
	Gain on disposal of Property, Plant and Equipment	- (14 200)
	Loss on disposal of Property, Plant and Equipment	- 88 394
	Amortisation of Intangible Assets	120 696 139 129
	Asset Impairment	877 011 12 199 143
	Debt Impairment	12 183 814 50 216 247
	Actuarial Gains	(12 271 902) -
	Actuarial losses	- 3 138 381
	Contribution to non current liability	7 006 964 1 866 986
	Contribution to employee benefits-current	(571 959) 2 577 189
	Contribution from/to employee benefits-non current	11 142 742 10 361 528
	Assets written off	588 340 1 238 139
	Other non-cash items	17 (1)
	Operating Surplus/(Deficit) before changes in working capital	130 063 384 61 710 750
	Changes in working capital	(38 793 472) (7 846 037)
	Increase/(Decrease) in Payables from Exchange Transactions	(11 275 647) (9 224 082)
	Increase/(Decrease) in Consumer Deposits	675 314 515 659
	Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	(8 945 294) 10 833 524
	Increase/(Decrease) in Unspent Conditional Public Grants and Reserves	- -
	Increase/(Decrease) in Taxes	(611 515) (280 988)
	(Increase)/Decrease in Inventory	(173 534) 266 188
	(Increase)/Decrease in Receivables from Exchange Transactions	(4 821 377) (13 336 540)
	(Increase)/Decrease in Receivables from Non-exchange Transactions	(11 294 756) (7 165 707)
	(Increase)/Decrease in Operating Lease Asset	23 885 28 225
	(Increase)/Decrease in Unpaid Conditional Government Grants and Receipts	(2 370 548) 10 516 674
	(Increase)/Decrease in Unpaid Conditional Public Grants and Reserves	- -
	Cash generated/(absorbed) by operations	93 269 912 53 964 713
38	RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES	
	Cash and Cash Equivalents	28 569 304 19 679 315
	Less:	28 569 304 19 679 315
	Unspent Conditional Government Grants and Receipts - Note 9	3 543 815 9 877 594
	VAT - Note 10	9 838 621 16 783 815
	Unspent Public Contributions	(6 294 806) (6 906 321)
	Resources available/(required) for working capital requirements	25 025 489 9 801 722
39	UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION	
	Long-term Liabilities - Note 2	90 589 346 125 907 052
	Used to finance property, plant and equipment - at cost	(90 589 346) (125 907 052)
	Cash invested for repayment of long-term liabilities	- -
	Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.	

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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BUDGET COMPARISONS

40.1 Statement of Financial Position
Ref.

Current Assets :

- C1 The actual exceeds the budget by R28mil. The actual Cash and Cash Equivalents at year end were much higher than expected with the budget (R27mil compared to R11mil). Trade receivables were expected to be lower than the actual figures shown. Overspending of the capital program, Rehabilitation of Streets led to the MIG being reflected as an Unpaid Conditional Grant under Current Assets. This multi year appropriation was approved by the Mayor in terms of Sec 31 MFMA.

Non Current Assets :

- C2 The actual exceeds the budget by R27,2mil. This is due to leased assets of R12mil being acquired and added to Property, Plant and Equipment but for budget purposes is allocated to lease expenditure over the three years of the leases. Other non-cash flow provisions such as Heritage Assets and Capitalized Restoration Costs were not provided for, which further contributed to the actuals exceeding the budget amount.

Current Liabilities :

- C3 The actual exceeds the budget by R26,1mil. This is due to Current Provisions and Current Employee Benefits not being provided for in the budget, and the Current Portion of LT Liabilities not reflecting the new Financial Leases short-term portion.

Non Current Liabilities :

- C4 The budget exceeds the actual by R21,8mil. The budgeted figure for borrowing exceed the actual by R30mil as the current portion disclosed under current liabilities was not taken into account in the budget. The provision for post retirement employee benefits were much higher than expected due to an error in the post employment subsidy percentage in the prior year.

40.2 Statement of Financial Performance
Ref.

Revenue :

- C5 The budget exceeds the actual by R7,8mil. This is mainly due to capital grant projects that were not completed, and revenue could not be recognized accordingly. Grants mainly responsible for the underperformance is INEP and Fire Service Capacity Building Grant, for which a roll-over application was submitted.
- C6 The actual exceeds the budget by R12,2mil. As the actuarial gain / loss varies each year and can not be determined beforehand, it was not budgeted.
- C7 The actual exceeds the budget by R16,5mil. Increased billed revenue were due to more actual meter readings, and billing on consumer accounts. Business refuse removal quantities were verified, which also resulted in the higher billing on consumer accounts. This was only performed after budget process, and thus not included in budget amount.
- C8 Admission fees was not budgeted separately but included with other income, this is now disclosed separately as a material item on the Statement of Financial Performance.

Expenditure :

- C9 The budget exceeds the actual by R7,8mil. This is mainly due to the annual leave provision being much lower than expected. Some of the key vacancies budgeted were also not filled or only filled very late in the year. This lead to employee expenditure being lower than budgeted.
- C10 The budget exceeds the actual by R13mil. This is due to long outstanding debt that was not written off during the current period. It was decided to enforce the debt collection policy and try to collect all outstanding debt, rather than writing it off.
- C11 The actual exceeds the budget by R8,2mil. This is due to the contribution from the Provision for rehabilitation of landfill sites being much higher than expected. The expected cost for rehabilitation was determined to be higher as a result of the cost of certain material necessary for the rehabilitation process increasing substantially from the prior year.
- C12 The budget exceeds the actual by R31mil. This is due to revenue being lower than expected, general expenses were limited to cover the shortfall, implying very strict expenditure restrictions implemented to prevent overspending. Also included in General Expenditure budget is the Human Settlement Grant operating expenditure that was not expensed in full during the current year.

40.3 Cash flow

Operating Activities:

- C13 The actual exceeds the budget by R42mil. This is due to agreements with suppliers being allocated to non-current liabilities for GRAP purposes, but included in Trade Payables for budget purposes. This caused the net cash from operating activities to increase positively and the net cash from financing activities to increase negatively. Also the net profit realised had a positive influence on the net cash from operating activities.

Cash from Investing activities:

- C14 The actual exceeds the budget by R6mil. This is due to additions in leased assets not being budgeted for as per C2.

Cash from Financing Activities :

- C15 The actual exceeds the budget by R38,6 Million. Austerity measures coupled to revenue enhancement initiatives resulted in an improvement in the cash position of the municipality.

40.4 Operating Expenditure By Vote

Variances discussed with C10 to C13.

2017
R

2016
R

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

40

BUDGET COMPARISONS (Continued)

40.5 Capital Expenditure per Vote

C16

The budget exceeds the actual by R5,3mil. This is due to under performance on two conditional grant projects. The Integrated Electrification Program was delayed, and a roll-over application to retain R3 Million was submitted to National Treasury. The Fire Services Capacity Building Grant to the value of R1.2 Million will also not spent, due to the budget being insufficient for the year under review, additional own funding was allocated in 2017/2018 to enable procurement to proceed. A roll-over application to Provincial Treasury was submitted to retain this grant.

40.6 Reconciliation between 2017 Approved Budget and Budget figures per Financial Statements

For disclosure purposes and to conform to Generally Recognised Accounting Practice (GRAP) some individual accounts were classified differently on the Financial Statements than on the Annual Approved Budget. A reconciliation of differences are listed below.

Statement of Financial Performance

Approved Budget

Adjustments

Disclosure Budget

Taxation Revenue

Property taxes

75 613 306

(7 072 692)

68 540 614

Transfer Revenue

Government Grants and Subsidies - Capital

Government Grants and Subsidies - Operating

Transfers and grants

42 875 180

81 044 858

42 875 180

81 044 858

Revenue from Exchange Transactions

Service charges

Investment revenue

Other own income

332 801 944

1 670 359

60 446 733

(33 621 346)

-

(13 294 050)

299 180 598

1 670 359

47 152 683

Total Revenue

694 462 380

(53 988 088)

640 474 292

Expenditure

Employee related costs

Remuneration of councillors

Depreciation and asset impairment

Finance charges

Bulk Purchases

Transfers and grants

Other expenditure

189 528 710

9 667 753

22 273 044

7 879 382

150 318 249

700 000

193 030 491

-

(700 000)

(53 288 088)

189 528 710

9 667 753

22 273 044

7 879 382

150 318 249

139 742 403

Total Expenditure

(573 397 629)

53 988 088

(519 409 541)

NET SURPLUS/(DEFICIT) FOR THE YEAR

21 064 751

-

21 064 751

The adjustments can be explained as follows:

A

(Dt) Property Taxes

(Cr) Other Expenditure

7 072 692

(7 072 692)

Rebates given on Property Taxes are budgeted as a Other Expense but for GRAP purposes netted to Property Taxes revenue.

B

(Dt) Service Charges

(Cr) Other Expenditure

33 621 346

(33 621 348)

Rebates given on Service Charges are budgeted as a Other Expense but for GRAP purposes netted to Services Charges revenue.

C

(Dt) Other Own Income

(Cr) Other Expenditure

13 294 050

(13 294 050)

PAWC payments allocated to Other Expenditure for budget purposes, but allocated to Other Own Income to disclose the net revenue from license fees.

D

(Dt) Other Expenditure

(Cr) Transfers and Grants

700 000

(700 000)

Transfers and Grants budgeted, but for GRAP purposes allocated as Other Expenditure.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

41

UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

41.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure:

	2017 R	2016 R
Opening balance	313 708 083	271 389 826
Unauthorised expenditure current year - capital	-	133 855
Unauthorised expenditure current year - capital funds used to pay operational costs	-	488 259
Unauthorised expenditure current year - funding not spent in accordance with intended purposes	-	702 329
Unauthorised expenditure current year - operating	-	40 994 014
Unauthorised expenditure awaiting authorisation	313 708 083	313 708 083

Unauthorised expenditure on operating votes is mainly due to provisional (book entries), amounts recognised in terms of GRAP implementation.

Incident	Disciplinary steps/criminal proceedings		
Over expenditure on votes 2016/17	Resolution to be investigated		-
Over expenditure on votes 2015/16	Resolution to be investigated	41 127 669	41 127 669
Over expenditure on votes 2014/15	Resolution to be investigated	87 309 086	87 309 086
Capital funds used to pay operational costs	Resolution to be investigated	8 349 173	8 349 173
Funding not spent in accordance with intended purposes	Resolution to be investigated	1 904 664	1 904 664
Over expenditure on votes 2013/2014	Resolution to be investigated	59 890 226	59 890 226
Over expenditure on votes 2012/2013- adjusted	Resolution to be investigated	38 983 113	38 983 113
Over expenditure on votes 2011/2012	Resolution to be investigated	3 984 088	3 984 088
Over expenditure on votes 2010/2011	Resolution to be investigated	26 420 092	26 420 092
Over expenditure on votes 2009/2010	Resolution to be investigated	9 181 875	9 181 875
Over expenditure on votes 2008/2009	Resolution to be investigated	36 558 096	36 558 096
		313 708 083	313 708 083

Unauthorised expenditure current year - capital

	2017 R (Variance)	2017 R (Unauthorised)
Vote 1 - Executive and Council	-	-
Vote 2 - Municipal Manager	(139 847)	-
Vote 3 - Corporate Services	-	-
Vote 4 - Financial Services	(817)	-
Vote 5 - Community and Public Safety	(585 588)	-
Vote 6 - Technical Services	(5 350 780)	-
	(6 057 042)	-

Unauthorised expenditure current year - operating

	2017 R (Variance)	2017 R (Unauthorised)
Vote 1 - Executive and Council	(4 411 959)	-
Vote 2 - Municipal Manager	(10 069 648)	-
Vote 3 - Corporate Services	(3 905 778)	-
Vote 4 - Financial Services	(7 235 230)	-
Vote 5 - Community and Public Safety	(31 132 256)	-
Vote 6 - Technical Services	(46 243 028)	-
	(102 997 902)	-

41.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

	2017 R	2016 R
Opening balance	33 659 515	22 397 128
Fruitless and wasteful expenditure current year	1 297 093	11 262 387
Fruitless and wasteful expenditure identified in the current year but relating to the prior year	-	-
Fruitless and wasteful expenditure awaiting further action	34 956 609	33 659 515

Incident	Disciplinary steps/criminal proceedings		
Fruitless and wasteful expenditure identified in the current year but relating to the prior year	None	-	-
Interest paid on arrear invoices of The Business Zone 2713	None	276 214	-
Interest paid on arrear invoices of Coetzee & Van den Berg Attorneys	None	7 962	-
Interest paid on arrear invoices of CF van der Mescht	None	98 304	-
Interest paid on arrear invoices of Nurcha Financial Services	None	550 040	-
Interest paid on arrear invoices of Umvoto	None	299 662	-
Interest paid on arrear invoices of Lyners	None	64 811	-
Interest and penalties paid on PAYE, Eskom, Telkom, Fastnet, Cape Joint Pension Fund, VAT	None	-	7 890 673
Additional interest paid on Long term liabilities due to late payment of instalments	None	-	69 487
Unsuccessful software implementation	None	-	2 135 444
Paid supplier at a rate higher than set by another organ of the state	None	-	1 401
Contract procured for accounting software not to be used	None	-	1 165 383
		1 297 093	11 262 387

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
41.3 Irregular expenditure		
Reconciliation of irregular expenditure:		
Opening balance	267 458 039	212 355 611
Irregular expenditure identified in the current year but relating to the prior years	-	37 525 319
Deviations not justifiable	-	5 672 195
No supplier file and suppliers not on the approved supplier listing	-	1 395 026
No declaration of interest	-	393 787
Three quotations not obtained	-	1 808 723
No procurement process followed	-	5 037 150
No original TAX clearance certificates	-	1 694 186
Deviations not reported	-	3 073 672
No minimum thresholds of local content stipulated in advertisement	-	3 623 962
Suppliers failed to declare interests	-	3 058 959
Bid adjudication and bid evaluation members are the same	-	8 258 907
Prohibited supplier	-	131 817
No contracts available	-	3 376 954
Irregular expenditure current year	1 092 695	17 575 100
Deviations not justifiable	-	1 989 375
Three quotations not obtained, no reason for deviation, deviation not approved	-	155 640
No supplier files	-	271 080
No declaration of interest	-	6 043 490
Three quotations not obtained	-	118 145
No procurement process followed	184 884	5 862 860
Suppliers not on the municipal Database / prospective supplier listing	-	151 004
Payments made exceed original price	-	993 839
No contracts available	48 524	962 853
Invoice handed in after 3 months non-compliance Sect 65 2 (e) MFMA Suppliers to be paid within 30 days of invoice or statement	0 351	-
Work done without purchase order	799 163	-
Work done without purchase order/not registered on CSD	2 052	-
Legal Case - Oudtshoorn Municipality vs Karoo Valley Farm	48 721	-
Prohibited supplier	-	223 051
Employees appointed with no vacancy	-	89 676
Employees receiving termination bonuses	-	174 395
Points incorrectly calculated	-	64 949
Procurement split in parts	-	475 252
Irregular expenditure awaiting further action	268 548 734	267 456 039
Incident	Disciplinary steps/criminal proceedings	
Brought Forward		
Non-compliance with Supply Chain Management Policy	Ongoing	
Non-compliance with Human Resources Policy	Ongoing	
	267 456 039	212 355 611
	1 092 695	54 836 357
	-	264 071
	268 548 734	267 456 039
The full extent of the irregular expenditure could not be quantified due to no proper processes in place for the identification of irregular expenditure.		
41.4 Material Losses		
Water distribution losses		
- Kilo litres disinfected/purified/purchased	8 349 683	7 566 319
- Prior year correction to kilo litres disinfected/purified/purchased	-	-
- Restated kilo litres disinfected/purified/purchased	8 349 683	7 566 319
- Kilo litres lost during distribution	555 745	1 115 730
- Prior year correction to kilo litres lost during distribution	-	-
- Restated kilo litres lost during distribution	555 745	1 115 730
- Restated percentage lost during distribution	6.66%	14.75%
Water distribution losses for 2017 not regarded as material.		
Electricity distribution losses		
- Units purchased (Kwh)	155 281 354	159 860 839
- Units lost during distribution (Kwh)	15 616 883	12 123 514
- Percentage lost during distribution	10.06%	7.58%
42 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
42.1 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS		
Opening balance	3 079 325	1 474 412
Council subscriptions	2 215 942	1 604 813
Amount paid - current year	(3 256 163)	-
Balance unpaid (Included in creditors)	2 039 104	3 079 325
42.2 Audit fees - [MFMA 125 (1)(c)]		
Opening balance	2 078 288	53 793
Current year audit fee	3 141 868	1 865 799
External Audit - Auditor-General	3 141 868	1 865 799
Amount paid - current year	(6 161 689)	(3 690 890)
Balance unpaid (Included in creditors)	941 533	2 078 288

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
42.3 VAT - [MFMA 125 (1)(b)]		
Opening balance	(7 078 850)	(7 535 523)
Nett movements	784 043	456 673
Closing balance - Receivable	(6 294 807)	(7 078 850)
Vat in suspense due to cash basis of accounting		
Input VAT	2 124 419	6 221 300
Output VAT	(8 419 225)	(13 300 151)
Receivable	(6 294 807)	(7 078 850)
VAT is payable/receivable on the invoice basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.		
42.4 PAYE, SDL and UIF - [MFMA 125 (1)(c)]		
Current year payroll deductions and Council Contributions	20 421 368	20 704 651
Amount paid - current year	(20 421 368)	(20 704 651)
Balance unpaid (Included in creditors)	-	-
42.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]		
Opening balance	-	-
Current year payroll deductions and Council Contributions	29 013 051	26 258 888
Amount paid - current year	(29 013 051)	(26 258 888)
Balance unpaid (Included in creditors)	-	-
42.6 Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]		
Councillors with arrear accounts for more than 90 days as at 30 June 2015		
	Outstanding more than 90 days	Outstanding more than 90 days
J le Roux Krowitz	-	2 469
CJ Wagenaar	-	1 682
Total Councillor Arrear Consumer Accounts	-	4 151

42.7 Deviations from the procurement processes

Deviations from, and ratifications of breaches of the Procurement Processes due to Specialised Services, Advertising, Accommodation, Sole Suppliers, Emergencies, Breakdowns, Strip and Quotes.
All the deviations were ratified by the Municipal Manager and reported to Council.

Supplier	Reason	Less than R 30 000	Between R 30,001 and R 200 000	Between R200,001 and R 2 000 000	More than R 2 000 000
Acid Geomatics (Pty) Ltd	Sole Supplier, goods or services are produced or available from a single provider only.	2 811	-		
Actebis 268 CC	Such goods or services have already been acquired by the Municipality from a specific supplier or service provider and subsequent maintenance, amendments, or modifications by other suppliers or service providers are prohibited, restricted or impossible.	4 078	-		
Atlas Filters	Sole Supplier, goods or services are produced or available from a single provider only.	29 012	-		
Avontuur & Associates	Only one or two quotes submitted	26 842	-		
Barney's Repairs	Exceptional case and it is impractical or impossible to follow the official procurement processes.	-	65 000		
Barney's Repairs	Exceptional case and it is impractical or impossible to follow the official procurement processes.	-	112 737		
Bell Equipment George	Exceptional case and it is impractical or impossible to follow the official procurement processes.	-	75 546		
Bidvest Steiner	Emergency. A situation which is considered an unforeseeable and sudden event with materially harmful consequences.	14 531	-		
Calibration Services Cape	Sole Supplier, goods or services are produced or available from a single provider only.	5 318	-		
Cango Engineering	Exceptional case and it is impractical or impossible to follow the official procurement processes.	-	60 650		
Civil Corp CC	Exceptional case and it is impractical or impossible to follow the official procurement processes.	6 780	-		
Coastal Armature Winders	Exceptional case and it is impractical or impossible to follow the official procurement processes.	-	90 459		
CTM George	Sole Supplier, goods or services are produced or available from a single provider only.	5 597	-		
CTM George	Sole Supplier, goods or services are produced or available from a single provider only.	21 823	-		
Electrical Pro	Emergency. A situation which is considered an unforeseeable and sudden event with materially harmful consequences.	3 542	-		
F. J Bruce	Emergency. A situation which is considered an unforeseeable and sudden event with materially harmful consequences.		-	524 400	
Ferro Engineering	Exceptional case and it is impractical or impossible to follow the official procurement processes.		-	256 568	
First Technology Western Cape	Exceptional case and it is impractical or impossible to follow the official procurement processes.		58 342		
Hi-Tech Auto Engineering	Exceptional case and it is impractical or impossible to follow the official procurement processes.		52 136		
Hofstec Engineering	Exceptional case and it is impractical or impossible to follow the official procurement processes.		71 400		
Home Express	Exceptional case and it is impractical or impossible to follow the official procurement processes.	4 000	-		
Huber Technology	Sole Supplier, goods or services are produced or available	-	-	295 887	

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

		2017 R	2016 R		
42.7	Deviations from the procurement processes (Continued)				
Supplier	Reason	Less than R 30 000	Between R 30,001 and R 200 000	Between R200,001 and R 2 000 000	More than R 2 000 000
Ignite Advisory services	Exceptional case and it is impractical or impossible to follow the official procurement processes.	-	-	526 673	-
Imarsh	Exceptional case and it is impractical or impossible to follow the official procurement processes.	-	-	259 104	-
Imvusa Trading 1581 cc	Only one or two quotes obtained.	12 000	-	-	-
J & E Communication	Sole Supplier, goods or services are produced or available from a single provider only.	-	63 450	-	-
Johnita Marx Spyseniering &	Exceptional case and it is impractical or impossible to follow the official procurement	13 416	-	-	-
Kango Boumaterieel	Emergency. Exceptional case and it is impractical or impossible to follow the official procurement processes	-	117 325	-	-
Klein Karoo Engen	Exceptional case and it is impractical or impossible to follow the official procurement processes.	-	-	631 200	-
Klein Karoo Toyota	Exceptional case and it is impractical or impossible to follow the official procurement processes	11 863	-	-	-
Knowledge Base Sales	Exceptional case and it is impractical or impossible to follow the official procurement processes.	-	83 431	-	-
Kompas Sekuriteit	Exceptional case and it is impractical or impossible to follow the official procurement processes.	2 128	-	-	-
LMGS Security Services	Exceptional case and it is impractical or impossible to follow the official procurement processes	-	50 000	-	-
Niifisk Advance (Pty) Ltd	Sole supplier	5 318	-	-	-
ODS Consultants	Exceptional case and it is practical or impossible to follow the official procurement processes.	-	158 000	-	-
Orange Now	Sole Supplier, goods or services are produced or available from a single provider only.	-	34 620	-	-
OTIS	Exceptional case and it is impractical or impossible to follow the official procurement processes.	12 347	-	-	-
Oudtshoorn Sweiswerke	Exceptional case and it is impractical or impossible to follow the official procurement processes.	9 679	-	-	-
PBSA Batsumi Enterprise (Pty)	Exceptional case and it is impractical or impossible to follow the official procurement processes	2 998	-	-	-
Penny Pinchers	Exceptional case and it is impractical or impossible to follow the official procurement processes.	-	-	307 798	-
Petrus H Kruger	Sole Supplier, goods or services are produced or available from a single provider only.	16 000	-	-	-
Postnet Office	Sole Supplier, goods or services are produced or available from a single provider only.	614	-	-	-
Rdata	Sole Supplier, goods or services are produced or available from a single provider only.	-	-	730 468	-
Rentokil	Exceptional case and it is impractical or impossible to follow the official procurement processes	-	80 450	-	-
Roiroy Plant Hire	Only one or two quotes obtained.	29 184	-	-	-
SA Postkantoor	Sole Supplier, goods or services are produced or available from a single provider only.	-	80 256	-	-
Sage HR & Payroll of Sage	Exceptional case and it is impractical or impossible to follow the official procurement processes.	-	-	311 248	-
Sains Agencies	Sole Supplier, goods or services are produced or available from a single provider only.	-	39 906	-	-
Sampson t/a Telephone Enquiries	Exceptional case and it is impractical or impossible to follow the official procurement processes	1 874	-	-	-
Secondary Plant Electrical	Exceptional case and it is impractical or impossible to follow the official procurement processes	3 021	-	-	-
Smuts Familie Trust	Such goods or services have already been acquired by the Municipality from a specific supplier or service provider and subsequent maintenance, amendments, or modifications by other suppliers or service providers are prohibited, restricted or impossible.	-	157 302	-	-
Specialized Air Brakes cc	Exceptional case and it is impractical or impossible to follow the official procurement processes	28 434	-	-	-
Stanmar Motors	Emergency. A situation which is considered an unforeseeable and sudden event with materially harmful consequences.	-	34 774	-	-
Steiner Hygiene	Sole Supplier, goods or services are produced or available from a single provider only.	12 800	-	-	-
Store It	Sole supplier	7 788	-	-	-
Sure Engineering CC "Suretech"	Such goods or services have already been acquired by the Municipality from a specific supplier or service provider and	7 000	-	-	-
Sys-Net (Cape) cc	Exceptional case and it is impractical or impossible to follow the official procurement processes.	2 105	-	-	-
Stadler & Swart Attorneys	Exceptional case and it is impractical or impossible to follow the official procurement processes.	8 300	-	-	-
T.C.E Hydraulics	Exceptional case and it is impractical or impossible to follow the official procurement processes	10 400	-	-	-
Tech Verspreiders	Emergency. A situation which is considered an unforeseeable and sudden event with materially harmful consequences.	-	37 840	-	-
Top Loos	Such goods or services have already been acquired by the Municipality from a specific supplier or service provider and subsequent maintenance, amendments, or modifications by other suppliers or service providers are prohibited, restricted or impossible.	-	-	284 297	-
Transmission Gear Services	Sole Supplier, goods or services are produced or available from a single provider only.	-	119 696	-	-
Transtech	Exceptional case and it is impractical or impossible to follow the official procurement processes.	-	41 340	-	-
Trudon (Pty) Ltd	Sole Supplier, goods or services are produced or available from a single provider only.	8 858	-	-	-
Ubuntu Security Services	Exceptional case and it is impractical or impossible to follow the official procurement processes.	14 500	-	-	-
		345 087	1 664 858	4 127 644	-

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

42.8 Awards made to family members in service of the state (SCM req 46)

Item description	Relationship	2017 R	2016 R
Imvusa Trading 1581(B/2/1/63(10))	The shareholders family member is in the service of Oudtshoorn Municipality.	65 805	4 569 156
Imvusa Trading	The shareholders family member is in the service of Oudtshoorn Municipality.	166 647	-
BDE Consulting Engineers	Family member is in service of the state	252 331	192 948
Landis + Gyr	Unclear relationship, but family member in service of the state.		23 940
Volmoed Quarries	Family member is in service of Oudtshoorn Municipality	141 371	183 893
Buffelsdrift Clay Mine	The suppliers family member is a Councillor at the Municipality	784 007	12 926
Lloyd Hans Trading	Supplier's spouse is in service of the state		305
African Pillars Development	Family member is in service of Oudtshoorn Municipality's Council Support		119 500
Spring Forest Trading 184 cc	Mother in law is in service of Oudtshoorn Municipality	9 313	569
Vukani Builders	Father of a regional councillor	9 990	232 253
Hi- Tech Auto Engineering	Shareholder is child of a councillor	66 499	127 922
		1 505 963	5 463 413

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CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

Approved and contracted for:

7 720 027 **18 037 159**

Total commitments consist out of the following:

Amounts approved and contracted for:

- Upgrading of the Oudtshoorn Waste Water Treatment Works
- Supply and delivery of Liquid Chlorine Gas and Related Chemical Products for water and Sewerage Department for 36 Months
- Bulk electrical supply to Rose Valley and surrounding areas - Phase 1
- Bulk electrical supply to Rose Valley and surrounding areas - Phase 2
- Highmast flood light installations at Oudtshoorn, Dysselsdorp and Blomnek at De Rust
- Bongolethu Sport field Lighting, Oudtshoorn
- Upgrading the Irrigation system for the Blomnek sports field in De Rust
- Upgrading of the Irrigation system for the Dysselsdorp Sport Field - Phase 2
- Rehabilitate Waste Water Plant: Biological Nutrient Reactor
- Energy Efficiency Demand Side Management Grant
- Rehabilitate Roads and Stormwater
- Rehabilitate Roads and Stormwater (New Project)
- Dysselsdorp Sport Field: Irrigation pumping main
- New Boreholes: Varkiesdorp and Vermaaksvier

	2 909 615
	2 410 988
	6 581 918
2 548 854	-
3 408 962	-
	558 020
	1 298 662
	90 804
	1 618 491
	927 802
	89 892
1 762 211	-
	445 167
	1 105 800

This expenditure will be financed from:

- External Loans
- Own Funding
- Government Grants

	-
	-
7 720 027	18 037 159
7 720 027	18 037 159

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FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Price risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's revenue and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

1% Increase in interest rates	(989 232)	(1 726 432)
0.5% Decrease in interest rates	494 616	863 216

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
(d) Credit Risk		
Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.		
Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.		
Trade and other debtors are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.		
All rates and services are payable within 30 days from invoice date. Refer to note 17 and 18 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.		
No receivables are pledged as security for financial liabilities.		
Interest on overdue balances are included at prime lending rate plus 1% where applicable.		
The provision for bad debts could be allocated between the different classes of debtors as follows:		
	2017 %	2016 %
<u>Non-Exchange Receivables</u>		
Rates	41.04%	42.10%
Other	58.96%	57.90%
	100.00%	100.00%
	21 056 375	22 080 758
<u>Exchange Receivables</u>		
Electricity	10.80%	8.37%
Water	47.75%	48.85%
Refuse	18.64%	15.47%
Sewerage	18.70%	16.15%
Other	4.11%	11.06%
	100.00%	100.00%
	52 255 289	60 280 062
The provision for bad debts could be allocated between the different categories of debtors as follows:		
	2017 %	2016 %
Government	0.83%	1.09%
Business	3.01%	2.72%
Residential	68.84%	70.34%
Indigents	10.35%	8.00%
Other	16.97%	17.84%
	100.00%	100.00%
	73 311 664	82 360 819
The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.		
The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.		
Long-term and Other Receivables are annually evaluated individually at Balance Sheet date for impairment.		
Financial assets exposed to credit risk at year end are as follows:		
Receivables from exchange transactions	40 438 364	38 847 474
Receivables from non-exchange transactions	12 748 652	10 807 223
Cash and Cash Equivalents	28 569 304	19 679 315
Unpaid conditional grants and subsidies	2 685 184	314 636
	84 441 504	69 648 648
The municipality issued some guarantees in favour of trade creditors. Refer note 20		

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
(e) Liquidity Risk		
Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.		
The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.		
The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.		
2017	Less than 1 year Between 1 and 5 years Between 5 and 10 years Over 10 Years	
Long Term liabilities	21 534 601	67 514 023
Capital repayments	11 701 814	47 696 168
Interest	9 832 788	19 817 855
Trade and Other Payables	36 791 675	-
Unspent conditional government grants and receipts	9 838 621	-
	68 164 886	67 514 023
		13 570 840
		-
		-
2016	Less than 1 year Between 1 and 5 years Between 5 and 10 years Over 10 Years	
Long Term liabilities	22 650 946	58 713 855
Capital repayments	12 756 621	40 578 287
Interest	9 894 325	18 135 568
Trade and Other Payables	47 881 579	-
Unspent conditional government grants and receipts	16 783 915	-
	87 296 440	58 713 855
		22 113 452
		257 556
		216 819
		40 737

(f) Cash Flow Risk

The municipality has significant cash flow risk. This is evident in it's current liabilities exceeding it's current assets and consecutive net deficits for the last few years.

The municipality mitigates this risk by applying certain counter measures which includes implementing a recovery plan approved by Provincial Treasury; standard budget management; negotiating terms with substantial creditors; and improving revenue collection.

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FINANCIAL INSTRUMENTS

In accordance with GRAP 104 the financial instruments of the municipality are classified as follows:

The fair value of financial instruments approximates the amortised costs as reflected below.

45.1	<u>Financial Assets</u>	<u>Classification</u>		
Investments				
Receivables				
	Receivables from exchange transactions	Financial instruments at amortised cost	40 438 364	38 847 474
	Receivables from non-exchange transactions	Financial instruments at amortised cost	12 748 652	10 607 223
	Unpaid Conditional Government Grants and Receipts	Financial instruments at amortised cost	2 685 184	314 636
Short-term Investment Deposits				
	Call Deposits	Financial instruments at amortised cost	23 517 821	16 217 267
Bank Balances and Cash				
	Bank Balances	Financial instruments at amortised cost	5 013 568	3 394 554
	Cash Floats and Advances	Financial instruments at amortised cost	37 815	37 050
			84 441 504	69 218 204
SUMMARY OF FINANCIAL ASSETS				
	Financial instruments at amortised cost		84 441 504	69 218 204
	At amortised cost		84 441 504	69 218 204

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

		2017 R	2016 R
45.2	Financial Liability		
	Classification		
	Long-term Liabilities		
	Annuity Loans	50 787 583	59 717 075
	Agreements	882 321	18 850 493
	Capitalised Lease Liability	7 903 237	74 171
	Payables		
	Payables from exchange transactions - Trade and other	34 109 756	47 031 964
	Payables from exchange transactions - Deposits	679 623	532 114
	Unpaid Conditional Government Grants and Receipts	2 685 184	314 636
	Current Portion of Long-term Liabilities		
	Annuity Loans	8 929 482	12 756 621
	Agreements	17 952 411	34 583 283
	Capitalised Lease Liability	4 134 303	125 429
		128 063 909	173 785 767
	SUMMARY OF FINANCIAL LIABILITY		
	Financial instruments at amortised cost	128 063 909	173 785 767

46 EVENTS AFTER THE REPORTING DATE

The following events took place after the reporting date.

46.1 Going concern

There has been an improvement from the 2015/2016 financial year but management acknowledges that the Municipality is still at risk that it might not remain a going concern. Steps have however been taken to ensure that this improves. Emphasis has been placed on cost saving and revenue enhancement as well as the capacitation of existing resources within the municipality. Senior personnel are enforcing strict financial strategies aimed at improving accountability, cash management control, reducing unnecessary expenditure and ensuring more responsibility is performed by the departmental managers.

The following challenges are an indication of the risk relating to going concern:

- The municipality has a net current liability position of R346,612,704 for the current year. The previous year was R845,598,256.
- The current assets to current liabilities ratio is 0.71:1 which is below the norm of between 1.5 to 2:1 as stated in the National Treasury MFMA circular no. 71.
- A slight improvement on the 0.46:1 reported in the prior year.
- The Net Debtors Days of 44.32 days is more than the norm of 30 days as stated in the National Treasury MFMA circular no. 71.
- This is a decrease from the prior years ratio of 46.9 days.
- The Creditors Payment Period of 55.77 days is more than the norm of 30 days as stated in the National Treasury MFMA circular no. 71.
- This is a vast improvement over 78.59 days reported for the year ended 30 June 2016.

The Financial Recovery Plan is prepared as a result of a mandatory provincial intervention referred to in Section 139 of the Municipal Finance Management Act (MFMA). This will ensure Oudtshoorn Municipality is placed on a sustainable footing, resulting in an effective and efficient organisation that is financially stable and can provide services to the community on a sustainable basis. The holistic approach must include strategies that will deal with the 3 focus areas, namely institutional stabilisation, financial management and focussed service delivery.

The financial recovery plan includes a project that will deal with the long-term Financial Plan for the Oudtshoorn Municipality which will cover a period extending over a 10 to 15-year period. This will ensure a more coherent approach to strategic financial management which was lacking in the Municipality.

The key deliverables identified to ensure financial stability is as follows:

- 1 Budgeting and Expenditure Management: Review expenditure and management systems to ensure efficient and effective service delivery in line with Oudtshoorn Municipality priorities.
- 2 Revenue Management: Review revenue management systems to maximize revenue generation possibilities and improve revenue performance.
- 3 Customer Care: Enhance levels of customer care, Increase responsiveness to consumer billing and other queries.
- 4 Cash Management: Review cash and debt management strategies and practices.
- 5 Financial Controls: Review internal controls and delegations regarding financial management.
- 6 Asset Management: Implementing asset management through an integrated infrastructure and asset management plan.
- 7 Supply Chain Management: Review governance practices in the Supply Chain practices and implement proper controls and risk management practices.
- 8 Institutional stabilization: Organizational redesign, compile all job descriptions and have job evaluations done.
- 9 Accounting and Data Management: Review IT infrastructure and implement Accounting and Budget Reforms.
- 10 Liability management: Review all liabilities current and non-current and devise a strategy to meet obligations in a timely manner in accordance with legislative requirements.

47 IN-KIND DONATIONS AND ASSISTANCE

The following officials provided services in-kind to the municipality in support of the Section 139 Intervention with the purpose of aiding with the financial, operational and institutional recovery of the municipality:

Mr. B Shepherd – National Treasury Financial Expert funded through the Finance Management Improvement Program II by the National Treasury
Mr. C Koch – Acting Director Technical Services, funded by the Provincial Treasury.
Ms. Simms, funded by Department of Human Settlement

48 PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

		2017 R	2016 R
49	CONTINGENT LIABILITY		
49.1	Cobus Louw Professional Engineers CC v Oudtshoorn Municipality On/about the 17th of January 2014 the Municipality requested assistance from Cobus Louw Professional Engineers CC for the sourcing of external funding for possible infrastructure projects totalling R20,000,000. As per this request the sourcing of MIG funding was excluded. In terms of ECSA, a 30% of the total amount of project fees was due to the supplier which amounted to R560,960, but only paid R66 543. Therefore a contingent liability exist of R494,364.		
49.2	P Esterhuizen v Oudtshoorn Municipality Mr Pieter Esterhuizen made a claim of R52 290. for personal injuries sustained allegedly due to the road works done by the municipality. The insurance rejected the claim, and subsequently a summons was served against the municipality.		
50	CONTINGENT ASSET		
50.1	Oudtshoorn Municipality v Invusa Trading (Pty) Ltd In the same action as mentioned in note 49.2 the Municipality will be adding third parties to recuperate costs of illegal contract awarded to Invusa Trading and others. The counterclaim will be approximately R10,000,000. According to the attorney the likelihood of a success is very good.		
50.2	Oudtshoorn Municipality v Former employee The municipality have referred a case to it's attorneys relating to a potential unlawful settlement paid out to a former employee of the municipality. The case is currently in the discovery phase. If successful the Municipality could claim approximately R350,000.		
51	RELATED PARTIES		
	Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.		
	The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.		
51.1	Related Party Loans Since 1 July 2004 loans to councillors and senior management employees are not permitted.		
51.2	Compensation of key management personnel The compensation of key management personnel is set out in note 26 to the Annual Financial Statements.		
51.3	Other related party transactions Refer to Note 42.8 for detail on related party transactions.		



UNAUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

APPENDIX A - Unaudited
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2017

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2016	Correction	Balance at 30 JUNE 2016 Restated	Received during the period	Redeemed/ written off during the period	Balance at 30 JUNE 2017
ANNUITY LOANS									
Standard Bank	12.65%	-	2021/06	14 983 034	-	14 983 034	-	(3 144 628)	11 838 406
Standard Bank	11.70%	-	2021/06	1 054 808	-	1 054 808	-	(1 054 808)	-
Standard Bank	11.08%	-	2022/12/31	5 979 894	-	5 979 894	-	(932 101)	5 047 793
Standard Bank	11.70%	-	2023/06/20	23 034 881	-	23 034 881	-	(3 185 403)	19 849 478
FNB	11.97%	-	2016/06	5 865 163	-	5 865 163	-	(1 052 133)	4 813 030
Development Bank of SA				21 555 917	-	21 555 917	-	(3 387 549)	18 168 368
Urban Infrastructure Project 10608/1	14.00%	10608/1/01	2017/06	1 184 828	-	1 184 828	-	(1 184 828)	-
Multiple Infrastructure 101096/1	10.41%	101096/1	2024/06	5 919 647	-	5 919 647	-	(504 935)	5 414 712
Multiple Infrastructure 101096/2	10.16%	101096/2	2019/12	154 201	-	154 201	-	(38 742)	115 459
Multiple Infrastructure 101647/1	7.59%	101647/1	2025/12	2 250 000	-	2 250 000	-	(236 842)	2 013 158
Multiple Infrastructure 101647/2	6.84%	101647/2	2020/06	571 429	-	571 429	-	(142 857)	428 572
Infrastructure 102003/1	6.56%	102003/1	2025/12	5 500 000	-	5 500 000	-	(578 947)	4 921 053
Electricity And Water 102292/1	6.59%	102292/1	2026/06	3 032 599	-	3 032 599	-	(303 260)	2 729 339
Deep Aquifer Hydrogeological 13774	15.67%	13774	2021/06	441 740	-	441 740	-	(63 854)	377 887
Infrastructure 102617/1	6.27%	102617/1	2027/06	2 385 007	-	2 385 007	-	(218 819)	2 166 188
Infrastructure 102617/2	6.45%	102617/2	2017/06	116 464	-	116 464	-	(116 464)	-
Total Annuity Loans				72 473 696	-	72 473 696	-	(12 756 621)	59 717 075
LEASE LIABILITY									
Toyota Hilux 2.5 D-4D SRX R/B	11.99%		2018/02	75 454	-	75 454	-	(43 523)	31 931
Colortrac Smart LF SC 36C - Serial number: H2401791	12.01%		2017/06	28 067	-	28 067	-	(28 067)	-
KONICA MINOLTA C364E SERIAL A5C1041011315	12.01%		2018/02	46 984	-	46 984	-	(27 054)	19 930
KONICA MINOLTA C364E SERIAL A5C1041012889	12.01%		2018/03	49 096	-	49 096	-	(26 786)	22 310
Isuzu KB 250 F/Side Reg Cab (Lead) CG 28191	12.01%		2020/01	-	-	-	144 598	(10 881)	133 718
Isuzu KB 250 F/Side Reg Cab (Lead) CG 30015	12.01%		2020/01	-	-	-	144 598	(10 881)	133 718
Isuzu KB 250 F/Side D/Cab Hi-Rider CG 29891	12.01%		2019/12	-	-	-	157 957	(12 762)	145 195
Chevrolet Utility 1.4 + A/C CG 16101	12.01%		2019/11	-	-	-	100 564	(8 125)	92 438
Chevrolet Utility 1.4 + A/C CG 10020	12.01%		2019/11	-	-	-	100 564	(8 125)	92 438
Chevrolet Utility 1.4 + A/C CG 17054	12.01%		2019/11	-	-	-	100 564	(8 125)	92 438
Chevrolet Utility 1.4 + A/C CG 15435	12.01%		2019/11	-	-	-	100 564	(8 125)	92 438
Isuzu KB 250 F/Side Reg Cab (Lead) CG 11569	12.01%		2020/02	-	-	-	151 077	(17 885)	133 191
Isuzu KB 250 F/Side Reg Cab (Lead) CG 15076	12.01%		2020/02	-	-	-	151 077	(17 885)	133 191
Isuzu KB 250 F/Side Reg Cab (Lead) CG 15299	12.01%		2020/02	-	-	-	151 077	(17 885)	133 191
Isuzu KB 250 F/Side Reg Cab (Lead) CG 28551	12.01%		2019/12	-	-	-	130 262	(10 525)	119 737
Isuzu KB 250 F/Side Reg Cab (Lead) CG 29837	12.01%		2019/12	-	-	-	130 262	(10 525)	119 737
Isuzu Trucks & Series NPR 400 Crew CAB AMT CG 29940	12.01%		2020/01	-	-	-	371 376	(28 944)	342 431
Chevrolet Utility 1.4 + A/C CG 15566	12.01%		2019/11	-	-	-	100 564	(8 125)	92 438
Chevrolet Utility 1.4 + A/C CG 14177	12.01%		2019/11	-	-	-	100 564	(8 125)	92 438
Chevrolet Utility 1.4 + A/C CG 15042	12.01%		2019/11	-	-	-	100 564	(8 125)	92 438
Chevrolet Utility 1.4 + A/C CG 14240	12.01%		2019/11	-	-	-	100 564	(8 125)	92 438
Isuzu Trucks & Series NPR 400 Crew CAB AMT CG 29933	12.01%		2020/01	-	-	-	371 376	(28 944)	342 431
Isuzu Trucks & Series NPR 400 Crew CAB AMT CG 29938	12.01%		2020/01	-	-	-	371 376	(28 944)	342 431
Chevrolet Utility 1.4 + A/C CG 31709	12.01%		2019/12	-	-	-	105 272	(8 506)	96 766
Chevrolet Utility 1.4 + A/C CG 15643	12.01%		2019/11	-	-	-	100 564	(8 125)	92 438
Isuzu KB 250 F/Side Reg Cab (Lead) CG 29836	12.01%		2019/12	-	-	-	130 262	(10 525)	119 737
Isuzu KB 250 F/Side Reg Cab (Lead) CG 17509	12.01%		2019/12	-	-	-	130 262	(10 525)	119 737
Isuzu KB 250 F/Side Reg Cab (Lead) CG 29835	12.01%		2019/12	-	-	-	130 262	(10 525)	119 737
Isuzu KB 250 F/Side Reg Cab (Lead) CG 11230	12.01%		2020/02	-	-	-	143 820	(17 026)	126 793
Isuzu KB 250 F/Side Reg Cab (Lead) CG 13791	12.01%		2020/02	-	-	-	151 077	(17 885)	133 191
Chevrolet Spark 1.2L CG 12963	12.01%		2019/12	-	-	-	99 950	(8 076)	91 875
Chevrolet Spark 1.2L CG 26073	12.01%		2019/12	-	-	-	99 950	(8 076)	91 875
Chevrolet Spark 1.2L CG 26828	12.01%		2019/12	-	-	-	99 950	(8 076)	91 875
Chevrolet Utility 1.4 + A/C CG 17629	12.01%		2019/11	-	-	-	100 564	(8 125)	92 438
Isuzu KB 250 F/Side Reg Cab (Lead) CG 28268	12.01%		2019/12	-	-	-	130 262	(10 525)	119 737
Chevrolet Utility 1.4 + A/C CG 9909	12.01%		2019/11	-	-	-	100 564	(8 125)	92 438
Isuzu KB 250 F/Side Reg Cab (Lead) CG 30014	12.01%		2020/01	-	-	-	144 598	(10 881)	133 718
Chevrolet Utility 1.4 + A/C CG 10387	12.01%		2019/11	-	-	-	100 564	(8 125)	92 438
Chevrolet Utility 1.4 + A/C CG 16802	12.01%		2019/11	-	-	-	100 564	(8 125)	92 438
Isuzu KB 250 F/Side Reg Cab (Lead) CG 18805	12.01%		2019/11	-	-	-	130 262	(10 525)	119 737
Isuzu KB 250 F/Side Reg Cab CG 11214	12.01%		2019/12	-	-	-	156 841	(12 672)	144 169
Isuzu KB 250 F/Side Reg Cab (Lead) CG 4456	12.01%		2020/05	-	-	-	139 183	(8 492)	130 691
UD Trucks UD 85d Tipper CG 10546	12.01%		2020/05	-	-	-	619 548	(28 888)	590 661
Isuzu KB 250 LE 4x4 Reg Cab CG 30357	12.01%		2020/04	-	-	-	186 461	(13 112)	173 348
Isuzu KB 250 LE 4x4 D/Cab CG 30187	12.01%		2020/04	-	-	-	334 845	(23 545)	311 300
Isuzu KB 250 F/Side Reg Cab CG 30227	12.01%		2020/04	-	-	-	145 302	(10 218)	135 084
Chevrolet Spark 1.2 CG 28536	12.01%		2020/04	-	-	-	110 923	(7 800)	103 122
Isuzu KB 250 LE 4x4 D/Cab CG 4858	12.01%		2020/05	-	-	-	197 015	(8 190)	188 825
Isuzu KB 250 F/Side Reg Cab CG 30227	12.01%		2020/05	-	-	-	142 466	(6 645)	135 820
Isuzu KB 250 F/Side Reg Cab (Lead) CG 30283	12.01%		2020/04	-	-	-	139 183	(8 788)	129 395
Chevrolet Spark 1.2 CG 30261	12.01%		2020/04	-	-	-	110 923	(7 800)	103 122
Chevrolet Spark 1.2 CG 30263	12.01%		2020/04	-	-	-	110 923	(7 800)	103 122
Chevrolet Utility 1.4 + A/C CG 17761	12.01%		2020/04	-	-	-	101 514	(7 138)	94 376
Chevrolet Utility 1.4 + A/C CG 19934	12.01%		2020/04	-	-	-	101 514	(7 139)	94 375
Chevrolet Utility 1.4 + A/C CG 17096	12.01%		2020/04	-	-	-	101 514	(7 139)	94 375
Chevrolet Utility 1.4 + A/C CG 28297	12.01%		2020/04	-	-	-	101 514	(7 139)	94 375
Chevrolet Utility 1.4 + A/C CG 4845	12.01%		2020/04	-	-	-	101 514	(4 735)	96 778
Isuzu KB 250 LE 4x4 D/Cab CG 28060	12.01%		2020/01	-	-	-	291 287	-	291 287
Isuzu KB 250 F/Side Reg Cab (Lead) CG 4456	12.01%		2020/05	-	-	-	155 153	(7 238)	147 915
Isuzu KB 250 F/Side Reg Cab (Lead) CG 14422	12.01%		2020/05	-	-	-	288 488	(13 924)	274 565
Isuzu Trucks N Series NPR 400 CREW Cab Amt CG 16898	12.01%		2020/05	-	-	-	318 595	(14 867)	303 728
Isuzu Trucks N Series NPR 400 CREW Cab Amt CG 19856	12.01%		2020/05	-	-	-	318 595	(14 867)	303 728
Isuzu Trucks N Series NPR 400 CREW Cab Amt CG 13487	12.01%		2020/05	-	-	-	329 497	(15 370)	314 126
Isuzu Trucks N Series NPR 400 F/C CC CG 14545	12.01%		2020/05	-	-	-	298 489	(13 924)	284 565
Isuzu Trucks N Series NPR 400 CREW Cab Amt CG 16028	12.01%		2020/05	-	-	-	371 458	(17 328)	354 130
Isuzu KB 250 F/Side Reg Cab (Lead) CG 20551	12.01%		2019/12	-	-	-	130 262	(10 525)	119 737
UD Trucks UD 85d Tipper CG 16844	12.01%		2020/06	-	-	-	1 279 535	(29 696)	1 249 839
Isuzu Trucks N Series NPR 400 F/C CC CG 17050	12.01%		2020/06	-	-	-	641 539	(14 889)	626 650
Isuzu Trucks N Series NPR 400 F/C CC CG 29941	12.01%		2020/01	-	-	-	365 728	(52 218)	313 510
Total Lease Liabilities				199 600	-	199 600	12 778 296	(940 366)	12 037 530
TOTAL EXTERNAL LOANS				72 673 296	-	72 673 296	12 778 296	(13 696 987)	71 754 605



UNAUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

APPENDIX B - Unaudited
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017
MUNICIPAL VOTES CLASSIFICATION

2016 Actual Income R	2016 Actual Expenditure R	2016 Surplus/ (Deficit) R		2017 Actual Income R	2017 Actual Expenditure R	2017 Surplus/ (Deficit) R
36 394 059	(97 038 760)	(60 644 700)	Community and Public Safety	40 827 994	(106 366 416)	(65 538 422)
-	(24 607 005)	(24 607 005)	Corporate Services	-	(24 471 121)	(24 471 121)
74 012 641	(91 729 217)	(17 716 576)	Executive and Council	110 818 677	(52 096 606)	58 722 071
62 701 593	(27 892 450)	34 809 143	Financial Services	70 985 321	(30 060 126)	40 925 195
13 148 422	(20 726 596)	(7 578 174)	Municipal Manager	16 205 122	(19 000 383)	(2 795 261)
291 990 466	(255 310 199)	36 680 267	Technical Services	323 613 071	(236 404 910)	85 208 162
478 247 181	(517 304 226)	(39 057 045)	Total	562 450 186	(470 399 561)	92 050 625

APPENDIX C - Unaudited
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 1 JULY 2016	Correction	Restated Balance 1 JULY 2016	Grants Received	Grants Repaid	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2017
	R	R	R	R	R	R	R	R
UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS								
National Government Grants								
Equitable Share	-	-	-	57 849 000	346 000	(68 184 000)	-	-
Regional Bulk Infrastructure Grant - Department of Water Affairs and Forestry	1 613 986	-	1 613 986	-	-	-	-	1 613 986
Local Government Financial Management Grant	100 000	-	100 000	1 475 000	(100 000)	(1 575 000)	(100 000)	-
Integrated National Electrification Programme	1 136 528	-	1 136 528	8 000 000	-	-	(8 136 450)	3 000 078
Municipal Infrastructure Grant	5 408 815	-	5 408 815	20 756 000	(198 000)	(600 000)	(20 049 986)	(2 685 164)
Sea	538 417	(538 417)	-	-	-	-	-	-
Extended Public Works Program	-	-	-	2 448 000	-	(2 448 000)	-	-
Electricity Demand Side Management Grants	927 802	-	927 802	-	(47 000)	-	(680 802)	-
Total National Government Grants	9 728 846	(538 417)	9 190 429	90 528 000	-	(62 817 000)	(35 167 251)	1 928 678
Provincial Government Grants								
CCW operational support grant	67 533	-	67 533	-	-	(49 633)	(13 355)	4 545
Library Services	-	-	-	4 944 795	-	(4 944 795)	-	-
Integrating Housing Settlement Grant	(314 636)	-	(314 636)	1 461 652	-	(848 532)	-	298 354
Emergency Housing Programme	-	-	-	1 406 000	-	(1 406 000)	-	-
Housing Consumer Education	28 661	1 272	29 933	-	-	-	-	29 933
Provincial Sport Grant	144 000	-	144 000	-	-	-	(144 000)	-
Public Transport Facilities	16 137	-	16 137	-	(16 137)	-	-	-
Military Sport Academy	87 934	-	87 934	-	-	-	(87 934)	-
Finance Management Support Grant	1 738 902	(75 000)	1 663 902	1 120 000	(250 000)	(1 868 971)	(107 594)	427 337
Maintenance Road Road Subsidy	-	-	-	114 703	-	(114 703)	-	-
Performance Management Grant	200 000	-	200 000	-	-	(200 000)	-	-
Municipal Infrastructure and Building Repair Grant	178 139	-	178 139	-	-	(178 139)	-	-
Municipal Capacity Building Grant	341 186	-	341 186	120 000	-	(461 186)	-	-
Water Supply and Drought relief grant	970 000	-	970 000	-	-	-	(970 000)	-
Municipal Service Delivery and Capacity Building grant	1 900 000	-	1 900 000	400 000	-	(400 000)	(26 432)	1 670 568
Supply for Drought Relief Interventions	2 000 000	-	2 000 000	-	-	-	(1 620 588)	379 412
Chieftain Grant	76 468	(76 468)	-	-	-	-	-	-
Local Government Graduate Internship Grant	-	-	-	80 000	-	(5 066)	-	54 934
Fire Service Capacity Building Grant	-	-	-	1 200 000	-	-	-	1 200 000
Municipal Drought Support Grant	-	-	-	1 000 000	-	-	(40 564)	959 436
Total Provincial Government Grants	7 434 344	(150 194)	7 284 150	11 827 080	(266 137)	(10 607 077)	(3 613 467)	5 254 558
District Municipality Grants								
Upgrading of Rural Sport Grounds	137 744	(137 744)	-	-	-	-	-	-
LED Strategy	10 114	(10 114)	-	-	-	-	-	-
Recovery Plan	13 863	(13 863)	-	-	-	-	-	-
Total District Municipality Grants	161 721	(161 721)	-	-	-	-	-	-
TOTAL	17 519 731	(850 452)	16 669 279	102 355 080	(266 137)	(73 224 077)	(38 180 678)	7 153 437
Public Grants								
Community Survey Electricity	(70 823)	70 823	-	-	-	-	-	-
Total Other Grant Providers	(70 823)	70 823	-	-	-	-	-	-
Total	17 248 608	(779 529)	16 469 079	102 355 080	(266 137)	(73 224 077)	(38 180 678)	7 153 437

UNAUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

**APPENDIX D - Unaudited
APPROPRIATION STATEMENT
FOR THE YEAR ENDED 30 JUNE 2017**

Description	2016/17							2015/16			
	Original Budget	Budget Adjustments (i.e. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousands	1	2	3	4	5	6	7	9	10	11	12
Financial Performance											
Property rates	71 152	4 461	75 613	70 985		(4 628)	93.9%				62 702
Service charges	349 981	(17 179)	332 802	316 787		(17 035)	94.9%				272 761
Investment revenue	274	1 397	1 670	3 230		1 560	193.4%				1 018
Transfers recognised - operational	99 807	(18 762)	81 045	73 224		(7 821)	90.4%				68 835
Other own revenue	58 231	2 216	60 447	60 226		(220)	99.6%				46 805
Total Revenue (excluding capital transfers and contributions)	579 444	(27 867)	551 577	523 433		(28 144)	94.9%				452 220
Employee costs	191 965	(2 437)	189 528	181 733		(7 795)	95.9%				180 112
Remuneration of councillors	9 622	45	9 668	9 484		(184)	98.1%	1 484		(1 484)	6 742
Debt impairment	25 204		25 204	12 184		(13 020)	48.3%	27 916		(27 916)	50 216
Depreciation & asset impairment	22 273		22 273	19 048		(3 225)	85.5%				19 086
Finance charges	7 879		7 879	16 093	8 213	8 213	204.2%	979		(979)	16 867
Materials and bulk purchases	150 329	(11)	150 318	148 613		(3 706)	97.5%				141 933
Transfers and grants	1 500	(800)	700			(700)					
Other expenditure	181 902	(14 075)	167 827	85 294		(82 533)	50.8%				92 254
Total Expenditure	680 675	(17 278)	573 398	470 448	8 213	(102 950)	82.0%	30 379		(30 379)	517 221
Surplus/(Deficit)	(11 231)	(10 589)	(21 820)	52 985		74 805	-242.8%				(65 000)
Transfers recognised - capital	48 504	(5 629)	42 875	38 181		(4 695)	89.1%				25 213
Contributions recognised - capital & contributed assets				76		76	0.0%				
Contributed/Donated PPE											283
Surplus/(Deficit) after capital transfers & contributions	37 273	(16 218)	21 055	91 242		70 187	433.4%				(39 505)
Share of surplus/ (deficit) of associate											
Surplus/(Deficit) for the year	37 273	(16 218)	21 055	91 242		70 187	433.4%				(39 505)
Capital expenditure & funds sources											
Capital expenditure											
Transfers recognised - capital	48 504	(5 629)	42 875	37 356		(5 519)	87.1%				36 826
Public contributions & donations							100%				
Borrowing											1 036
Internally generated funds				745		745					387
Total sources of capital funds	48 504	(5 629)	42 875	38 102		(4 773)	88.9%				38 249
Cash flows											
Net cash from (used) operating	37 273	13 916	51 189	93 270		42 081	182.2%				53 865
Net cash from (used) investing	(47 359)	5 018	(42 341)	(36 284)		6 057	85.7%				(23 998)
Net cash from (used) financing	(9 504)		(9 504)	(48 096)		(38 592)	506.0%				37 351
Cash/cash equivalents at the year end	(19 591)	18 934	(657)	8 890		9 547	-1353.9%				19 679